HARBOR OF SUCCESSFUL BUSINESS 2014

NCSP GROUP // ANNUAL FINANCIAL REPORT
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170 years
1845 2015
НМТП
NCSP

CONTENTS

The history of Novorossiysk is tightly bound to the unique possibilities that Tsemes Bay offers for shipping. The expansive, ice-free bay has been a center of bustling trade since ancient times. From the 17th century it was called Sudzhuk Bay, after the fortress built by the Turks.

The foundation stone of a new fortress was laid on September 18, 1838 at the mouth of the Tsemes River and the construction of Novorossiysk began.

In 1845, Russian Tsar Nicholas I issued a decree «to open a port in Novorossiysk to receive Russian and foreign ships from abroad».

Novorossiysk has been a port for handling foreign trade cargo since it was founded. Exports included wax, honey, leather, beef fat, salted fish, oils, rye and wheat, while imports were manufactures and dry goods.

Novorossiysk was destroyed during the Crimean War of 1853-1856. However, by the 1870s Russia was in need of a trade center in the south with a railway connection, and Novorossiysk became this center. The first two of five piers were built in 1888, when Novorossiysk also received its first train and first steamship.

By the beginning of the First World War in 1914, cargo turnover at the Port of Novorossiysk's 38 berths totaled 1.5 million tonnes and warehouses could hold 210,000 tonnes of cargo. The port handled a quarter of Russian grain exports and half of the country's oil exports.

By 1926, the wooden berths were replaced with reinforced concrete ones and specialized for handling specific cargo. In the 1930s, Novorossiysk was one of the country's most important and busiest ports and its cargo turnover began to be dominated by oil cargo.

By 1940, the port had four cargo areas, 41 berths with a combined length of 4.7 km and 39 cranes and conveyors, and could handle 1,033 tonnes of cargo per hour.

It took almost ten years for the port to recover from the Second World War, and it only reached its pre-war cargo turnover in 1954.

The Port of Novorossiysk was opened to foreign ships in 1951. The Central cargo area was established in 1965 and construction of the Sheskharis oil terminal began in 1969.

Novorossiysk handled more than 18 million tonnes of cargo in 1971, becoming the biggest port in the USSR.

The port began introducing container shipments in 1975. In December 1978, construction was completed on a deepwater berth at the Sheskharis terminal to receive vessels with deadweight up to 250,000 tonnes, and a new marine passenger terminal and pier were built in 1980 to accommodate ocean liners and passenger ships.

The enterprises of the Novorossiysk commercial seaport were privatized in 1992.

The port began to rapidly update its fleet of handling equipment in 1996. The port's cargo turnover totalled 46.9 million tonnes in 1998. The first crane with capacity of 100 tonnes began operating at the port in 1999. A facility to handle chemical cargo was put into operation in 2001. In 2004, a new container terminal was built and the reconstruction of the grain terminal and the liquid cargo dock was completed. The port had 12 mobile and 60 portal cranes, and 400 lift trucks with capacity of 1.5 to 45 tonnes in 2005.

NCSP Group was formed in 2006 as a result of the consolidation of stevedoring companies operating at the Port of Novorossiysk, and in 2007 the Group already had about an 18% share of all the import and export cargo shipped through Russian seaports.

The Group began to diversify geographically in 2008 and acquired Baltic Stevedoring Company, the largest container terminal in Kaliningrad Region. The Novorossiysk Grain Terminal, the most advanced in Russia with capacity to handle 500,000 tonnes per month, opened in June 2008.

In 2010, the Group became the third largest port operator in Europe with cargo turnover of 81.6 million tonnes.

The Group significantly increased the scale of its business and expanded its geographical presence on the market in 2011 with the acquisition of Primorsk Trade Port, LLC. The Company strengthened its leading positions on the stevedoring services market and increased cargo turnover to 157 million tonnes.

In February 2013, the Group signed an agreement with state company Rosmorport on the reconstruction and modernization of the Novorossiysk seaport, aimed at developing marine elements of the port, including dredging, and construction of new handling facilities. Construction of new storage space was completed at the end of 2013 as part of a project to expand the throughput capacity of the container terminal in Kaliningrad to 400,000 TEU per year.

170 YEARS OF NOVOROSSIYSK PORT

SUDZHUK BAY, IN TERMS OF NATURAL POSITION, IS THE BEST LOCATION OF ALL THE ROADSTEADS ALONG THE WHOLE NORTHEAST COAST OF THE BLACK SEA.

ADMIRAL M.P. LAZAREV

HIGHLIGHTS OF THE YEAR

OPERATIONS

Handling of bulk cargo grows 40% in 2014, general cargo up 12%.

In October 2014, NCSP Group and Metalloinvest signed a letter of intent to organize transshipment of up to 10 million tonnes of iron ore products per year. The agreement calls for NCSP Group to build a specialized bulk terminal at the Port of Novorossiysk by 2018 and for Metalloinvest to provide the cargo to utilize the new capacity.

In October 2014, JSC Novoroslesexport began working on the reconstruction of berths and storage facilities at the Port of Novorossiysk to expand throughput capacity for handling container cargo from 300,000 TEU per year to 500,000 TEU.

In November 2014, a new direct container service was inaugurated from Turkey and Israel to Novorossiysk. The port received the first vessel from ARKAS Line, establishing weekly container shipments.

In December 2014, additional container volumes from MSC line were engaged.

In March 2015, the first vessel arrived at Novorossiysk as part of Maersk Line's new AE3 direct oceanic service from the Asia-Pacific region.

CORPORATE DEVELOPMENT

In August 2014, Sultan Batov, the general director of BSC since 2002, was appointed the new CEO of PJSC NCSP. BSC, which became part of NCSP Group in 2008, more than quadrupled cargo turnover in the period from 2006 to 2014, from 40,000 TEU to 180,000 TEU.

In August 2014, the Board of Directors approved the Regulation on the Internal Control and Audit Service, which is intended to provide information to Board Directors and Audit Committee members about the results of independent assessments of business processes and control.

In December 2014, the Board of Directors approved the Regulation on Procurement of Goods and Services, which provides for measures to reduce the per-unit costs of acquired goods and services.

In January 2015, NCSP Group approved a Long-term Development Program to 2020. The program will be accompanied by audits to assess the effectiveness of its implementation.

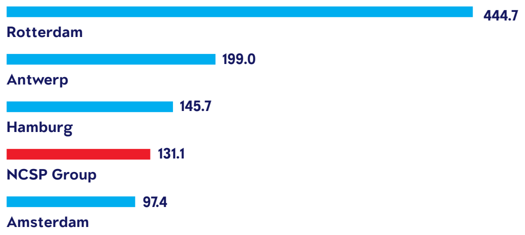
The Long-term Development Program includes key performance indicators linking Group management remuneration to fulfillment of operating and financial performance targets.

In response to the negative trends in the Russian economy that emerged in 2014, the Group has drawn up an Anti-crisis Action Plan that includes the creation of a system of control indicators for monitoring and various courses of action. An Anti-crisis Commission has been formed in order to prevent bottlenecks in the Group's operations, identify risks and develop countermeasures.

In March 2015, the Company signed an addendum agreement with Sberbank of Russia OJSC to change the calculation of covenants on a loan of USD1.95 billion.

In April 2015, international rating agency Moody's affirmed PJSC NCSP's credit rating at Ba3.

LARGEST PORTS IN EUROPE BY CARGO TURNOVER, MLN TONNES



GROWTH OF TRAFFIC VOLUME

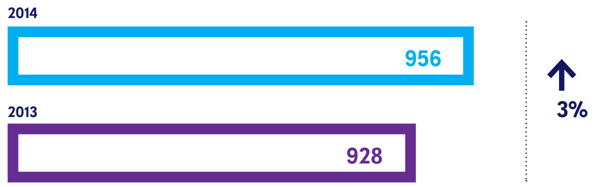
- OIL PRODUCTS .... +15%
- GRAIN .... +83%
- COAL .... +33%
- FERROUS METALS .... +12%
- TIMBER PRODUCTS .... +37%
- CONTAINERS .... +13%

131 MLN TONNES NCSP GROUP CARGO TURNOVER IN 2014

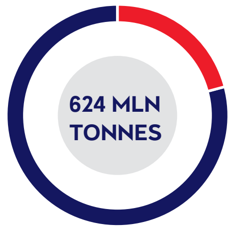
CARGO TURNOVER, MLN TONNES

$956 MLN NCSP GROUP REVENUE IN 2014

REVENUE, USD MLN

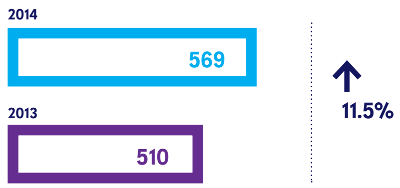


21% OF CARGO TURNOVER AT RUSSIAN SEAPORTS IN 2014



$569 MLN NCSP GROUP EBITDA IN 2014

EBITDA, USD MLN



KEY CLIENTS

CRUDE OIL & OIL PRODUCTS

Rosneft
Lukoil
Gazprom Neft
Tatneft
Surgutneftegas
Bashneft

ORE & FERROUS METALS

Metalloinvest
NLMK
MMK
Evraz

TIMBER PRODUCTS

Trans-Siberian Timber Company
Ugra Sawmills
Novoyeniseisky Timber Co.

COAL

Promugolservis
Shubarkol Komir
KOKS Group

GRAIN

United Grain Company
Louis Dreyfus
Olam International
International Grain Company

CHEMICAL CARGO

EuroChem
UralChem
Uralkali

NONFERROUS METALS

UC RUSAL
Kazzinc
Uralelectromed

CONTAINER LINES

ZIM
MSC
ARKAS
CSAV Norasia
MAERSK

ABOUT THE GROUP

THE GROUP INCLUDES

FIRST
port in Russia
by cargo turnover —
Novorossiysk on the Black Sea

FIFTH
port in Russia
by cargo turnover —
Primorsk on the Baltic Sea

FIRST
container terminal
in Kaliningrad Region
by cargo turnover — Baltiysk

NCSP Group is the fourth largest port operator in Europe and the undisputed leader on the Russian stevedoring market by cargo turnover.

NCSP Group ports lie at the crossroads of international transport corridors that connect Russia to countries on the Mediterranean Sea, the Middle East, North Africa, Southeast Asia and North and South America, making them key transit hubs for Russian export and import cargo.

As the industry leader, the Company plays a leading role in the modernization of port infrastructure. Over the past few years the Company has been pursuing an ambitious program of development based foremost on the construction of new specialized terminals and the development of existing facilities.

MISSION OF NCSP GROUP

developing and building new port facilities using advanced and high performance technologies

providing world-class, comprehensive stevedoring services

introducing innovative management methods

raising labor productivity

increasing cargo handling volume

reducing costs while increasing sustainability and energy efficiency

COMPETITIVE ADVANTAGES OF THE PORT OF NOVOROSSIYSK

PRIME LOCATION

Russia's largest port, Novorossiysk, is located at the crossroads of international transport corridors that link Russia to the Mediterranean, Middle East, Africa, South & Southeast Asia, and North & South America.

FAVORABLE NATURAL CONDITIONS

Ice-free Tsemes Bay allows year-round operation, and the port's system of seawalls and breakwaters provides sufficient protection for port facilities, minimizing downtime due to weather conditions.

DEVELOPED INFRASTRUCTURE

Ample covered & open storage facilities.
State-of-the-art handling equipment.
Well-developed road, railway & pipeline infrastructure.

THE LARGEST DEEPWATER PORT IN SOUTHERN RUSSIA

24.5 M
MAXIMUM DEPTH OF OIL LOADING BERTHS

13.2 M
DEPTH OF BERTHS FOR BULK, GENERAL & CONTAINER CARGO

OUR CUSTOMER BASE

LEGEND

NCSP
ORE
COAL
FERROUS METALS
OIL PRODUCTS
CRUDE OIL
CHEMICAL CARGO
GRAIN

STRATEGIC REPORT

UNLOADING OF SHIP

GROUP CONTAINER TERMINALS AT THE PORT OF NOVOROSSIYSK CAN ACCOMMODATE CONTAINER SHIPS WITH CAPACITY UP TO 5,000 TEU.

LOADING ONTO TRACTOR TRAILER

REACH STACKERS ARE AN INVALUABLE TOOL FOR HANDLING CONTAINERS. THE KALMAR DRF-450-65 S5X MODEL HAS CAPACITY TO LIFT 45 TONNES.

STORAGE YARD

NCSP CONTAINER TERMINALS CAN ACCOMMODATE 23,500 TEU. POWER HOOKUP IS AVAILABLE FOR REFRIGERATED CONTAINERS.

ADDITIONAL SERVICES

STUFFING/UNSTUFFING OF CONTAINERS, ARRANGEMENTS FOR CUSTOMS INSPECTIONS AND OTHER ADDITIONAL SERVICES AT THE PORT SAVE TIME FOR CLIENTS AND MAKE THE GROUP MORE COMPETITIVE.

SHIPPING BY TRAIN

BLOCK TRAIN DISPATCHES OF CONTAINERS, THE RESULT OF THE GROUP'S COOPERATION WITH RAILWAYS, HELP CLIENTS BUILD COMPLEX LOGISTICAL CHAINS WITH GUARANTEED DELIVERY TIMES.

CHAIRMAN'S STATEMENT

Dear shareholders,

The Novorossiysk commercial seaport, from which NCSP Group was born, will celebrate its 170-year anniversary in 2015. In these years Novorossiysk has grown from a small port for grain exports into Russia's largest universal port on the Black Sea, with annual cargo turnover of more than 80 million tonnes*.

NCSP Group, formed in 2006 on the foundation of the Novorossiysk port, is the fourth largest port operator in Europe by cargo turnover and the undisputed leader on the Russian stevedoring services market. The Group today is a modern transport and logistics company that provides a full range of services, including stevedoring, forwarding and bunkering. The Group's ports are integral parts of international transport corridors that link Russia to countries in the Mediterranean, the Middle East, North Africa, Southeast Asia, and North and South America, making them key transit hubs for Russian import and export cargo.

Two events of global resonance occurred in Southern Russia last year – the Olympics in Sochi and Crimea becoming part of Russia, both of which should spur economic development in the region and growth of the port sector in particular. The destabilization of the situation in Ukraine in 2014 led a number of Russian shippers to redirect cargo from Ukrainian ports to Novorossiysk. The economic sanctions that a number of western countries imposed on Russia last year and the countersanctions imposed by Russia have not yet had a noticeable impact on NCSP Group's export-dominated cargo turnover.

The main factors driving the growth of the Group's competitiveness continue to be increasing efficiency of operations and development of port infrastructure. In January 2015, we adopted a Long-term Development Program for the Group for the period to 2020.

The Group will build advanced transshipment facilities for all types of cargo, with maximized mechanization and automation of handling processes. These plans include construction of terminals to handle chemical cargo, coal and iron ore, the reconstruction and expansion of NCSP container terminals and the reconstruction of the Sheskharis Oil Terminal in Novorossiysk.

The plans are supported by promising agreements with major shippers, and close cooperation with Rosmorport and other federal agencies and state companies on the project to develop the Novorossiysk transport hub and modernize the Novorossiysk seaport.

The advantageous geographical location of the Group's ports, and the favorable conditions, developed infrastructure and uniqueness of Novorossiysk as the only deepwater port in Southern Russia ensure strong demand for our services, and modernization will further increase our competitiveness. As a result, the growing flow of cargo drawn to ports in Southern Russia will be accommodated with port capacity.

We are continuing to increase productivity, simplify procedures for shippers, expand our range of additional services, and accelerate handling and processing of cargo. This, combined with best practices in governance, will help our business to grow successfully.

An extraordinary general meeting of PJSC NCSP shareholders in August 2014 approved Sultan Batov as the new CEO of PJSC NCSP. Under his leadership, Baltic Stevedoring Company more than quadrupled cargo turnover from 40,000 TEU in 2006 to 180,000 TEU in 2014. I wish Sultan success and hope that his experience and knowledge will bring fresh impetus to NCSP Group's development.

I thank you for the support and confidence you have given NCSP Group. We will continue to do everything possible to grow the Group's business in the interests of shareholders.

Respectfully,

MAKSIM GRISHANIN
Chairman of the Board of Directors, PJSC NCSP

* Source: Association of Commercial Seaports of Russia (ASOP). NCSP Group's companies and other stevedoring companies without CPC.

CHIEF EXECUTIVE OFFICER'S STATEMENT

Dear shareholders,

NCSP Group handles a substantial share of Russian export-import cargo, so a significant shift in demand for oil or other commodities from the west to the east can have an impact on our business.

Nonetheless, in 2014 we managed to offset a 7% decline in cargo turnover that was due to factors beyond our control by increasing the volume and share of cargo with high added value — grain by 83%, oil products by 15%, ferrous metals by 12% and containers by 13% — and by maintaining a balanced tariff policy.

The rates for handling crude oil and oil products at PJSC NCSP berths were raised by USD0.60 and USD0.30 per tonne at the beginning of 2014. Revenue per tonne of coal increased to USD8.40* from USD5.80 a year earlier. Average revenue per TEU on container cargo rose to USD102* in 2014 from USD90.90* in the previous year. An adjustment factor began to be applied in September 2014 to ruble rates for receiving and storing grain.

As a result, the Group's revenue grew 3% to USD956 million, and EBITDA increased by 11.5%* to USD569 million.* The EBITDA margin rose by 4.6* percentage points to 59.6%, the highest figure in three years.

Overall, as a result of the growth in handling of certain cargo, including grain, oil products, containers and metals, the Group's revenue grew by USD41.5 million. Revenue growth driven by increases in rates for certain cargo amounted to USD11.6 million, and amid the growth in handling of metals, forest products and containers, revenue generated by additional port services increased by USD20.5 million.

The Group continued to reduce its debt burden in 2014, making a scheduled payment of USD300 million on a loan of USD1.95 billion from Sberbank and completely repaying ruble loans from Sberbank totaling 73 million. The Group's net debt decreased by 20.3% to USD1.4307 billion at the end of 2014.

The Group continued to update equipment in 2014 as part of its development plan, purchasing 55 pieces of handling equipment. The Group acquired property, plant and equipment worth a total of USD96.9 million in 2014.

The Group adopted a Long-term Development Program to 2020, under which it is introducing key performance indicators that link management pay to meeting targets. In order to improve governance and optimize staff numbers, the Group is reorganizing its management systems and creating consolidated departments by area of activity.

In 2015, the Group will continue to increase the competitiveness of its services for exporters, raise productivity and streamline business processes. A plan has also been drawn up for monitoring targets and anti-crisis response measures for replacing a possible decline in cargo traffic and supporting financial performance.

I would like to say that becoming the CEO of the largest and one of the oldest companies in Russia's port industry is a great honor and a huge responsibility for me. I am very grateful to shareholders for their confidence and intend to use all of my experience and knowledge to further the growth of NCSP Group.

I thank all my colleagues for their teamwork in 2014 and wish them success in the coming year.

Respectfully,

SULTAN BATOV
Chief Executive Officer, PJSC NCSP

* According to management reporting data.

MARKET REVIEW

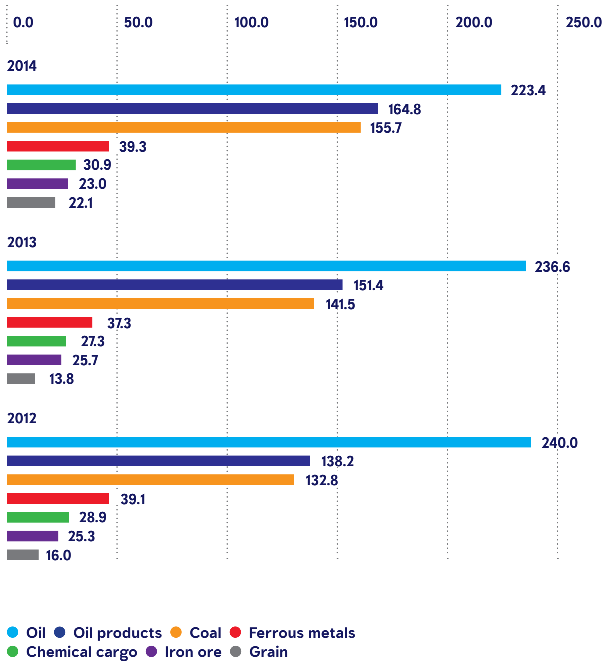
Export cargo makes up the bulk of cargo turnover at Russian seaports, so the macroeconomic situation, along with production and exports of resource commodities, the mainstay of Russian exports, have a decisive impact on the industry.

Despite negative external factors, Russia's GDP grew by 0.6%[1] in 2014 and industrial production grew by 1.7%[2]. Russia's foreign trade turnover fell by 6.9%[3], but this did not lead to a decline in cargo turnover at Russian seaports, because a substantial share of the decrease in exports was due to a drop in sales of natural gas, almost none of which is shipped by sea (–18.6%[4] in value compared to 2013).

While oil production in Russia rose by only 3.4 million tonnes or 0.7%[5], 13.5 million tonnes or 4.9%[6] more crude was shipped for refining than in 2013. This affected the structure of exports. Crude oil exports fell by 13.2 million tonnes or 5.6%[7] in 2014, while exports of oil products rose by 13.4 million tonnes or 8.9%[8].

Russian coal exports rose by 14.2 million tonnes or 10.0% in 2014, ferrous metal exports increased by 2.0 million tonnes or 5.2% and grain exports surged by 8.3 million tonnes or 60.4%[9].

RUSSIAN EXPORTS OF KEY COMMODITIES, MLN TONNES



Source: Federal Customs Service of Russia.

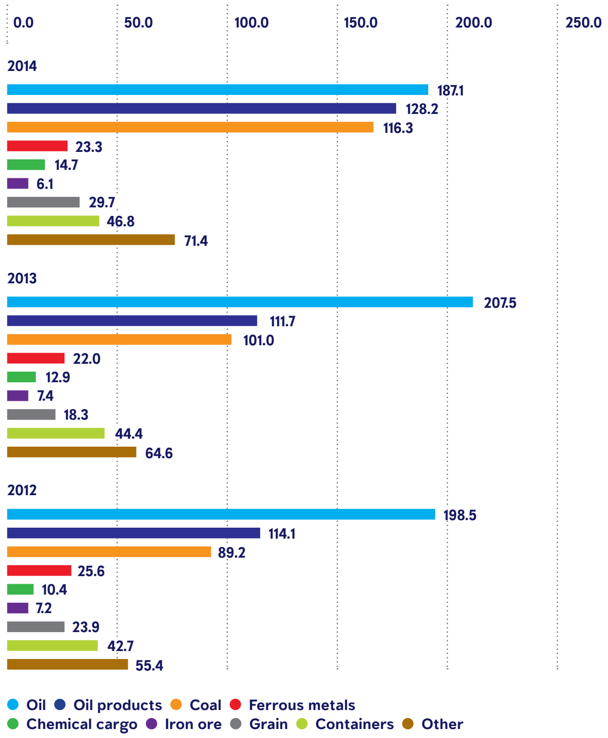
CARGO TURNOVER AT RUSSIAN SEAPORTS[10]

Cargo turnover at Russian seaports[11] grew 5.7% to 623.6 million tonnes in 2014. Liquid cargo decreased by 0.7% to 331.2 million tonnes, but dry cargo (not including containers) grew by 16.0% to 245.6 million tonnes and container cargo increased by 5.3% to 46.8 million tonnes.[11]

The increase in dry cargo turnover was driven by the growth of coal transshipments by 15.3 million tonnes or 15.1%; grain by 11.4 million tonnes or 60%; chemical cargo by 1.8 million tonnes or 13.7%; and ferrous metals by 1.3 million tonnes or 6.0%. Ore transshipments, meanwhile, fell by 1.3 million tonnes or 18.0%. Transshipment of crude oil fell by 20.4 million tonnes or 9.8%, while transshipment of oil products rose by 16.5 million tonnes or 14.7%.

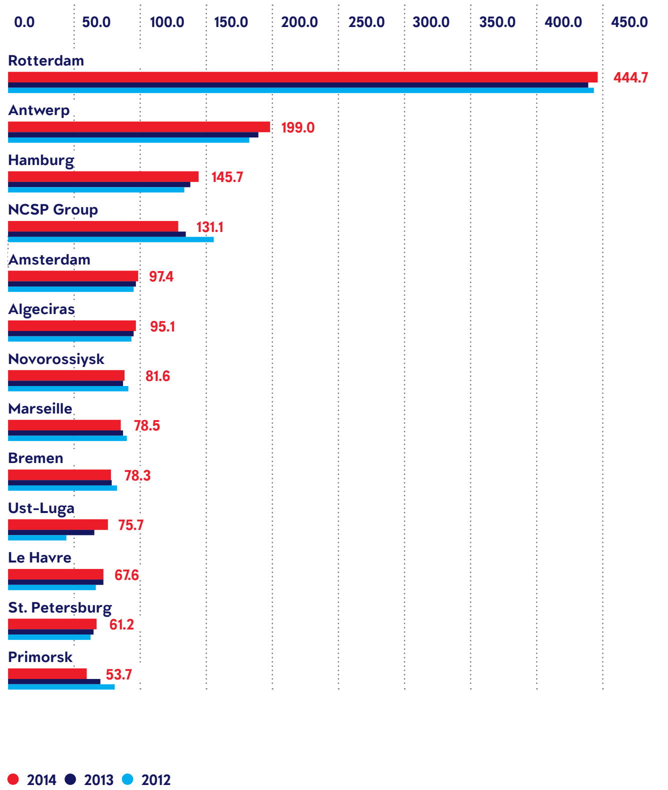
1-2 Source: Economic Development Ministry of Russia.
3 Central Bank of Russia.
4 Source: Federal Customs Service of Russia.
5-6 Source: InfoTEK.
7-9 Source: Federal Customs Service of Russia.
10 Data include Crimea. Cargo turnover at seaports on the Crimean Peninsula totaled 4.6 million tonnes from April through December 2014.
11 Source: ASOP.

TRANSSHIPMENT OF CARGO AT RUSSIAN SEAPORTS, MLN TONNES



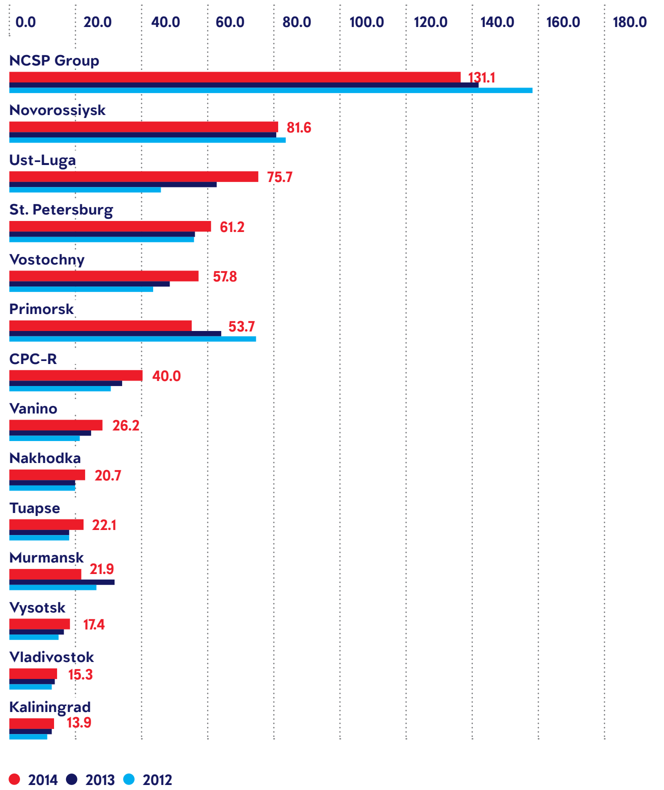
Source: ASOP.

CARGO TURNOVER AT EUROPEAN SEAPORTS, MLN TONNES



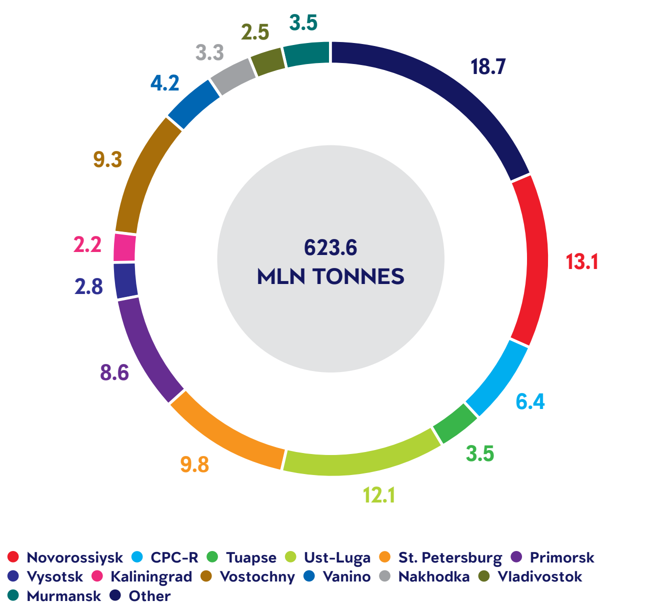
Source: ASOP, European sea ports data.
* NCSP Group's companies and other stevedoring companies without CPC.

CARGO TURNOVER AT RUSSIAN SEAPORTS, MLN TONNES



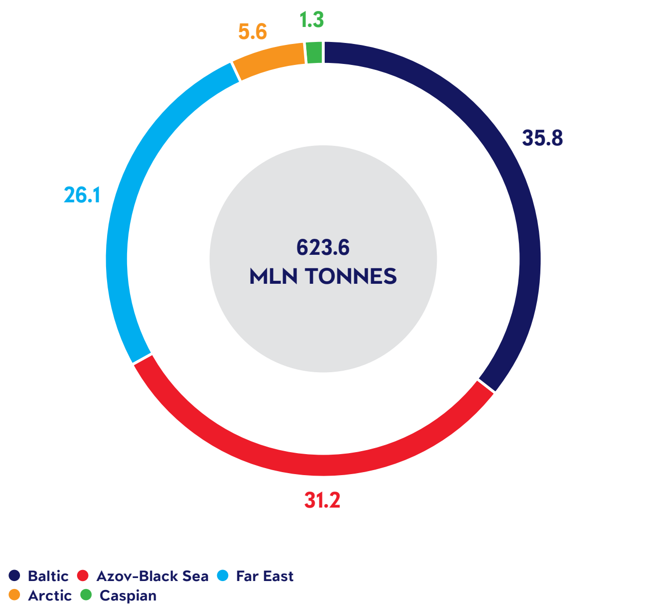
Source ASOP.
* NCSP Group's companies and other stevedoring companies without CPC.

MARKET SHARE OF LARGEST RUSSIAN SEAPORTS BY CARGO TURNOVER IN 2014, %



Source: ASOP.

TRANSSHIPMENT OF CARGO AT RUSSIAN PORTS BY BASIN IN 2014, %



Source: ASOP.

Russian seaports handled 5.28 million TEU of containers in 2014, down by 1.3% from 5.35 million TEU in 2013. In the weight equivalent, container cargo turnover increased by 24.4 million tonnes or 5.4%. Handling of containers is concentrated at the ports of St. Petersburg, Vladivostok and Novorossiysk, which accounted for respectively 45.0%, 16.2% and 13.7% of total container turnover at Russian seaports in 2014.

Export cargo made up almost 80% of total cargo turnover at Russian seaports in 2014.

Most cargo in Russia is handled by seaports in the Baltic, Azov-Black Sea and Far East basins.

Cargo turnover at seaports in the Baltic basin grew 3.5% to 223.5 million tonnes. Handling of dry cargo increased by 9.3% to 89.8 million tonnes, while liquid cargo decreased by 0.2% to 133.7 million tonnes.

Dry cargo turnover grew primarily thanks to container cargo, coal and chemical cargo. Transshipment of liquid cargo remained almost flat as handling of crude oil fell while oil product volumes grew.

The growth leader for the third consecutive year, with an increase of 20.3%, was the Ust-Luga port, which has the latest handling facilities for the oil products of Transneft. The port's cargo turnover reached 75.7 million tonnes. Cargo turnover also grew by 5.5% to 61.2 million tonnes at the St. Petersburg port; 7.9% to 17.4 million tonnes at the Vysotsk port; and 1.6% to 13.9 million tonnes at the Kaliningrad port. Transshipments through the Primorsk port, which handles exports of crude oil and oil products, fell by 15.9% to 53.7 million tonnes.

Cargo turnover at seaports in the Azov-Black Sea basin grew 11.3% to 194.6 million tonnes in 2014, as handling of dry cargo increased by 21.9% to 76.9 million tonnes and liquid cargo rose by 5.2% to 117.7 million tonnes.

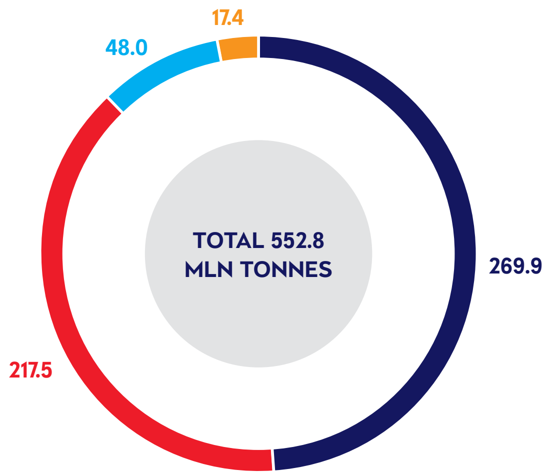
Handling of dry cargo grew primarily on the back of a 60% increase in grain volumes thanks to a record harvest in 2014 following poor harvests in 2012-2013. Ports in the basin also handled 8.3% more ferrous metals, 10.8% more container cargo and 4.6% more chemical cargo.

Cargo turnover grew by 0.6% to 81.6* million tonnes at the port of Novorossiysk, 22.2% to 40.0 million tonnes at the bulk liquid terminal of the Caspian Pipeline Consortium (CPC), and 24.7% to 22.1 million tonnes at the port of Tuapse.

Cargo turnover at seaports in the Far East increased by 12.3% to 162.5 million tonnes in 2014. Dry cargo handling grew by 16.3%, primarily on the back of coal. Liquid cargo rose by 6.7%, largely due to an increase in crude oil volumes in Vostochny, at the Kozmino terminal, which is the terminus of the Eastern Siberia — Pacific Ocean oil pipeline.

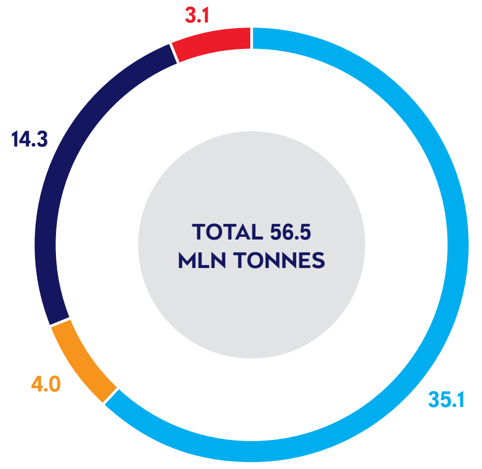
Seaports in the Arctic basin saw cargo turnover fall 24.2% to 35.0 million tonnes in 2014, mainly because of the absence of oil transshipments at the port of Murmansk. Cargo turnover at seaports in the Caspian basin rose by 0.8% to 7.9 million tonnes.

DELIVERY OF CARGO TO RUSSIAN SEAPORTS IN 2014, MLN TONNES



Source: ASOP

SHIPMENT OF CARGO FROM RUSSIAN SEAPORTS IN 2014, MLN TONNES



Source: ASOP.

* NCSP Group's companies and other stevedoring companies without CPC-R.

SHIPMENT OF CARGO TO/FROM RUSSIAN SEAPORTS[12]

Russian seaports took delivery of 552.8 million tonnes of cargo for shipment by sea in 2014, of which liquid cargo made up 58.9%. Most of the cargo was delivered by railways and pipelines.

Russian seaports received 56.6 million tonnes of cargo by sea in 2014, 91.3% of which was dry cargo. Motor vehicles carry more than half of the import cargo shipped out of seaports.

SHIPMENT OF RUSSIAN CARGO THROUGH FOREIGN PORTS[13]

Transshipment of Russian cargo through foreign ports decreased by 9.7% to 76.6 million tonnes in 2014, which amounted to 11.6% of total transshipment of Russian cargo through seaports. Ports in the Baltic countries handled 62.7 million tonnes and Ukrainian ports handled 13.9 million tonnes, of which dry cargo made up respectively 59.1% and 73.4%.

Transshipment through ports in the Baltic countries fell by 3.1 million tonnes or 4.6%, as crude oil and oil product volume dropped by 4.7 million tonnes or 15.5% while dry cargo volume grew by 1.7 million tonnes or 4.7%, primarily due to chemical cargo.

Transshipment through Ukrainian ports dropped by 5.2 million tonnes or 27%, as crude and oil product volumes plunged by 2.1 million tonnes or 46.5% and dry cargo fell by 3.0 million tonnes or 22.8%. The drop in dry cargo volume was led by ore, coal and chemical cargo.

[12-13] Source: ASOP.

INDUSTRY REGULATION

There were no major changes in industry regulation in 2014.

The activities of ports and stevedoring companies in Russia are regulated in various aspects by the federal Transport Ministry and its agencies; the Federal Tariff Service (FTS) and the Federal Anti-Monopoly Service (FAS).

The process of deregulation in the Russian port industry was largely completed in 2013. A transition was made from direct price regulation of stevedoring companies to a new method of regulation — price monitoring.

The FTS also stipulated that the geographical borders of the goods market in seaports are considered to be the borders of the corresponding sea basins, with the exception of a number of ports in the Arctic and Far East basins with underdeveloped infrastructure. This fundamentally changes regulators' approach to assessing the market share and monopolistic position of stevedoring companies, which are now viewed in a far broader competitive context, setting the stage for further liberalization of port tariffs and stimulation of private investment in the port industry.

BUSINESS MODEL

HOW WE CREATE VALUE ADDED STEVEDORING SERVICES

As an operator of marine port terminals, NCSP Group provides a range of stevedoring services for transshipment of all types of cargo, including liquid, bulk, general cargo and container cargo, and also provides additional port services and auxiliary port fleet services.

The bulk of the Group's revenue — more than 75% — is generated by stevedoring services, tariffs on which are set per unit of cargo (1 tonne or 1 container) and are denominated in U. S. dollars at the Novorossiysk and Baltiysk ports and primarily in rubles at the Primorsk port.

The Group is a natural monopoly, but can freely set tariffs for stevedoring services according to market conditions. The Federal Tariff Service of Russia replaced direct price regulation at most Russian seaports with price monitoring as of 2013.

The Group can grow the revenue and profitability of its core business by increasing the physical volume of cargo handling and related additional services, increasing the share of high-margin cargo in cargo turnover, and by raising tariffs for cargo handling and provision of other services.

The Group is seeking to expand cargo handling volumes by building new and modernizing existing terminals, increasing labor productivity, optimizing logistics, introducing new transshipment technologies and automating business processes.

NCSP Group's clients include the leading Russian producers and exporters of resource commodities, including crude oil and oil products, ore, metals, coal and chemical cargo; importers of manufactured goods and equipment; as well as leading international logistics companies and container lines.

NCSP Group generates added value for its clients by providing access to the most economically efficient mode of transport — marine — and optimization of costs at related links in the logistics chain.

The Group is increasing the combined throughput capacity of approach lines, port facilities and berths by dredging and modernizing berths for receiving large-capacity vessels; modernizing terminal equipment to accelerate cargo loading/unloading; accelerating customs processing of cargo; providing additional services for processing cargo at port; optimizing management of rolling stock; and introducing block train shipments.

This makes it possible to increase the volume of cargo handling while optimizing shippers' expenditures on rail transport, cargo storage and charter of vessels. This is how we are increasing added value for both the Group and its clients.

This approach reflects the principle of sustainable business development and builds a strong foundation for achieving strategic objectives and growing future value.

The Group's productive assets include berths with transshipment equipment; land plots in the port zone with industrial and administrative buildings and installations, including storage yards, tanks for oil products, elevators for grain and approach rail lines; as well as a fleet of cargo handling equipment and auxiliary fleet vessels.

The Group owns the land parcels on which production facilities, transshipment equipment, buildings and installations are located, as well as the vessels of the auxiliary fleet.

The Group has long-term leases for berths that are federally owned at the Novorossiysk port, and is the owner of some berths at the port of Primorsk.

Lease payments for the use of berths are determined on the basis of their book value and do not depend on the Group's volume of transshipments, revenue or profitability.

NCSP Group terminals can accommodate tankers with deadweight up to 150,000 tonnes (the maximum displacement for vessels passing through the Bosporus and Dardanelles straits) and bulk carriers and container ships with deadweight up to 85,000 tonnes.

Group terminals receive and dispatch general, bulk and container cargo by train and truck, and receive liquid cargo by train and pipeline.

Bulk and general cargo are stored in warehouses, including refrigerated, and outdoor yards. Refrigerated containers are hooked up to power. The Group has its own tank farm and modern elevator for storing liquid cargo and grain cargo.

Cargo is handled with multipurpose and specialized handling equipment: mobile wheeled cranes, gantry cranes, STS container cranes, grain loading conveyors, bucket loaders, forklifts, roll trailers and reach stackers.

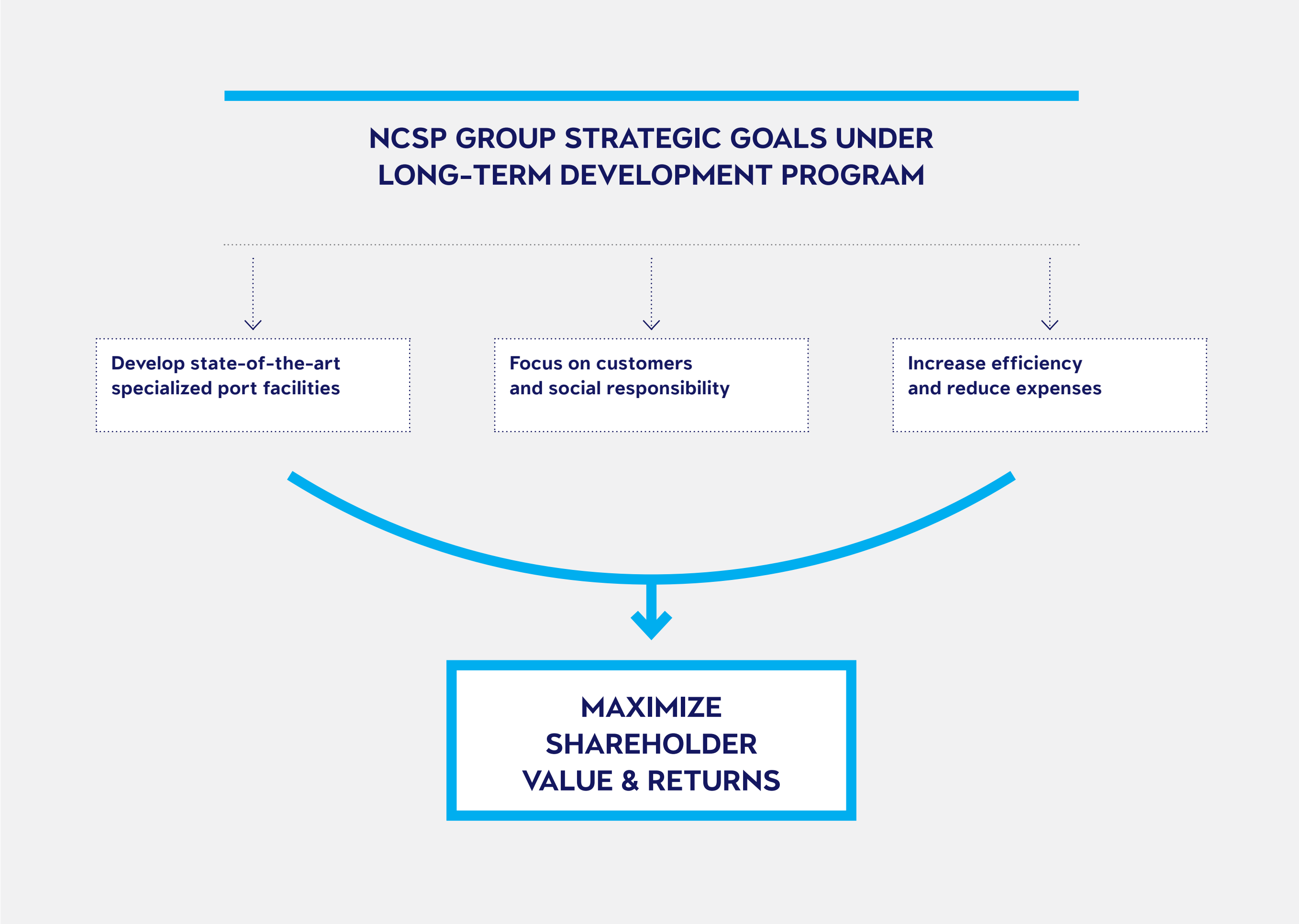
The stevedoring business involves receiving cargo and shipping it from the port by pipeline, train and truck; assembling shiploads; and transferring cargo to ships using multipurpose and specialized equipment.

Additional port services include temporary storage of cargo, partial expediting services, packing and repacking of cargo, stuffing/unstuffing of containers and special processing of grain, among others.

Auxiliary port services include tug and mooring services, firefighting support, waste collection and other services.

The Group also provides ship fueling services at berth and with bunkering tankers, as well as drinking water supply services for ships.

DEVELOPMENT PROSPECTS



Building on the Development Concept adopted by the Group in 2013, in 2014 the management has developed the Long-term Development Program of NCSP Group though 2020, which was approved by PJSC NCSP's Board of Directors on 15 January 2015.

The Development Program is designed to attain a number of strategic goals including:

Increase of operating and financial results of the Group by means of:

- Modernizing existing production assets and increasing throughput volumes on existing facilities;
- Implementing small budget CAPEX projects to expand existing port cargo facilities;
- Construction of new cargo transshipment facilities;
- Priority development of high-margin cargo transshipment while maintaining the universal profile of our transshipment facilities;
- Increasing volume of additional services;
- Implementing flexible and prompt tariff policy.

Increase of operating efficiency and reduction of costs by means of:

- Cost control and optimization;
- Optimization of technological and managerial processes;
- Automation and mechanization of operations;
- Intensifying cargo processing;
- Increasing productivity;
- Improving cooperation with related land and marine transportation services.

Improvement of client focus and service by means of:

- Building mutually beneficial commercial relationships with clients;
- Increasing transparency of corporate procedures to increase quality of service;
- Expanding range of additional services;
- Implementing electronic document flow and information exchange with counterparties.

Making our business socially responsible and sustainable by means of:

- Sustainable HR practices to attract and retain qualified staff;
- Responsible approach to environmental protection, occupational health and safety;
- Making our operations more energy efficient;
- Active involvement in the social and economic development of the regions of operations.

To attain these goals and targets the Group's Long-Term Development Program (LTDP) provides a set of near-term and mid-term measures, and a portfolio of long-term investment projects.

NCSP Group will prioritize the development of high-margin cargo operations by building new and expanding existing specialized transshipment facilities for container cargo and certain liquid, bulk, and general cargoes, while maintaining the universal profile of our transshipment facilities.

Our long-term investment projects are developed and implemented with consideration of the Group's cooperation with FGUP Rosmorport and other state companies and agencies, and the opportunities offered by this cooperation and participation in federal programs for development of the Port of Novorossiysk and Novorossiysk transportation hub, including joint financing of dredging and marine engineering works.

We expect that implementation of Rail Park B and Tsemdolina-Portovaya automobile bypass, and other projects at Novorossiysk, which are part of the mentioned federal programs, will provide sufficient connected infrastructure capacity to support NCSP Group's own development projects.

To monitor the LTDP's progress and quality of implementation, it was supplemented with a set of KPIs, which are linked to the Group's key management incentive programs. The terms of the LTDP provide for an annual audit of its implementation followed by an update of the program.

We expect that implementation of this Long-Term Development Program will help NCSP Group to maintain its leading position in Russia and become one of the largest transportation and logistics operators globally.

DEVELOPMENT PROJECTS

Reconstruction of NLE container terminal with expansion of handling capacity to 500,000 TEU per year from 230,000 TEU	2015-2021
Construction of terminal to handle mineral fertilizer at PJSC NCSP Eastern Pier with throughput capacity of up to 5 million tonnes	2018-2021
Reconstruction of NGT grain terminal and PJSC NCSP Wharf No. 3 to expand throughput capacity by 5 million tonnes of grain per year	2017-2020
Reconstruction of PJSC NCSP container terminal with capacity of 300,000 TEU per year	2016-2021
Reconstruction of NSRZ to handle up to 10 million tonnes of bulk cargo annually	2016-2019
Expansion of throughput capacity of BSC container terminal to 400,000 TEU per year	2015-2020
Reconstruction of Sheskharis Oil Terminal	2015-2019
Fleet updates	2015-2020
Development of existing facilities	2015-2021

GROUP DEVELOPMENT IN 2014

In 2014 NCSP Group began working on improving management quality, increasing the efficiency of existing facilities and increasing productivity.

Improvement of management quality suggests concentration of managerial functions at the Group level at united functional directorates, like technical and commercial directorates, finance and legal directorates, HR directorate, and IT directorate.

To increase current operating efficiency we monitor and map technological operations to identify and ease bottlenecks, to achieve even utilization of capacity, higher storage turnaround, and to intensify transshipment operations.

KEY PERFORMANCE INDICATORS OF LONG-TERM DEVELOPMENT PROGRAM

Indicator	Target 2015
Market share by general and bulk cargo in Azov-Black Sea basin, compared to 2014	**3.0%**
Reducing energy consumption, compared to 2014	**2.0%**
Building of new management model with introduction of staff incentive principles (% of plan completion)	**100%**
Labor productivity (revenue/number of employees)	**3,746**
Customer satisfaction level	**90%**
ROE	**18.3%**
TSR	**15.0%**
Reduction of costs per tonne of cargo compared to 2014	**2.3%**
Growth of gross ship loading time efficiency compared to average for all types of cargo in 2014	**10%**
Execution of innovative development program	**100%**
EBITDA growth compared to average for three years (2012-2014)	**9.0%**

REALIZING THE GROUP'S STRATEGIC GOALS

KEY STEPS	OBJECTIVES: Expand capacity	Increase efficiency	Increase labor productivity	Build a customer-centric business	Improve social responsibility performance
SHORT TERM					
Program to increase labor productivity		●	●	●	
Improve corporate governance		●	●	●	●
Implement low-cost projects (oils, alumina, sulfur, perishables)	●	●		●	
Improve level of service and ensure transparency of corporate processes		●		●	●
MEDIUM TERM					
Modernize operations	●	●	●		
Implement innovative development, energy efficiency and conservation program	●	●	●		●
Implement projects to expand container terminals at all ports, and grain terminal; reconstruction of Sheskharis Oil Terminal in Novorossiysk	●	●	●	●	
Increase financial efficiency		●			●
LONG TERM					
Implement projects to build specialized chemical cargo terminals and bulk terminal in Novorossiysk	●	●			
Expand access and port infrastructure on public-private partnership principles	●	●			

Introduction of electronic document flow and information exchange with our counterparties to manage and document cargo flows and operations, as well as consolidation of the Group's IT resources, and satellite equipment monitoring also contribute to operating efficiency.

Development of production assets

In 2014 the Group began modernizing units of a gantry for heating and unloading fuel oil in Novorossiysk in order to accelerate heating and unloading of fuel oil arriving by train. It is also overhauling the tank farm of the fueling complex to expand fuel oil storage by 5,000 m^3.

Preparations began for the reconstruction of the handling facility for light oil products at the Novorossiysk port with a view to expanding cargo handling by 350,000 tonnes per year, improving the logistics of tank car traffic and reducing idle and switching time.

Work began in 2014 on the reconstruction of four berths in Novorossiysk that are leased from Rosmorport in order to reinforce existing structures, lengthen the berths and deepen them to 13.0 m. As a result, the Company will be able to process two modern container carriers at two berthages simultaneously.

The surfacing and grain receiving system of the grain terminal were replaced, making it possible to accommodate grain carriers of up to 100 tonnes and expanding the terminal's throughput capacity to 300 grain carriers per day.

The Group continued to modernize its fleet of handling equipment and replace it with the latest energy efficient and multipurpose equipment, making it possible to increase the weight of a load grab by 50% to 100%. Purchased loaders with magnetic grabs with capacity of up to 45 tonnes are intended for working in bad weather conditions, when wind speeds exceed guidelines for safe operation of cranes. The Group acquired a total of 55 pieces of various equipment and machinery.

PJSC NCSP bought 42 pieces of new equipment, including five portal cranes of various capacity, five bucket loaders, eight automatic loaders, 12 port tractors and 12 roll trailers.

NLE acquired eight pieces of handling equipment in 2014, including a container loader, a reach stacker, two tractors, two terminal tractors for handling containers and two automatic loaders for handling general cargo.

NSRZ added a loader for handling ferrous metals to its fleet of handling equipment last year.

BSC acquired two loader-stackers and an automatic loader for repacking containers in 2014.

Technical policy

The management of NCSP Group developed a Technical Policy in 2014 with a planning horizon to 2018.

The policy is a management tool to steer decisions on equipment upgrades, modernization and development of PJSC NCSP existing facilities.

The Technical Policy is implemented primarily by formulating and carrying out plans for long-term growth and programs for expansion, reconstruction and upgrades, with the conception and execution of design solutions to modernize existing and build new handling facilities.

Anti-crisis plan

In order to mitigate the negative trends in the Russian economy that emerged in 2014, the Group's management has formulated an Anti-crisis Action Plan that includes the creation of a system of control indicators and various courses of action.

An Anti-crisis Commission has been formed in order to swiftly respond to signs of crisis. It is responsible for preventing bottlenecks in the Group's operations, identifying risks and developing specific measures and responses.

The Anti-crisis Plan includes analysis of the risks of a decline in cargo traffic and changes in the structure of the Group's cargo turnover, and measures to replace lost cargo traffic and increase productivity and operating efficiency.

The main courses of anti-crisis action include:

- pursue efforts to replace lost cargo traffic;
- reduce and possibly forego some expenditures and other measures to reduce costs;
- increase financial discipline and intensify work with receivables;
- negotiate with suppliers to lower prices and improve delivery performance;
- consider outsourcing a number of functions;
- increase efficiency of business processes;
- increase real productivity and operating efficiency.

The Anti-crisis Plan aims to reduce expenditures on fuel and energy resources by 6%, expenditures on supplies by 4% and other expenses by 29%.

However, expenditures on depreciation, maintenance and repairs, which cannot be eliminated or significantly reduced in the Group's current operations, remain unchanged.

Forecast indicators of productivity growth on the process line of railcar/storage and storage/ship have been adopted as the main criterion of productivity growth.

OPERATING RESULTS REVIEW

CONSOLIDATED CARGO TURNOVER

NCSP Group's cargo turnover decreased by 7.0% to 131.1 million tonnes in 2014 from 141.0 million tonnes in 2013.

Cargo turnover at Group terminals at the Port of Novorossiysk rose by 0.4% to 76.4 million tonnes, while cargo turnover at the Port of Primorsk fell by 16.1% to 53.7 million tonnes and cargo turnover at the Port of Baltiysk was almost unchanged at 1.0 million tonnes.

NCSP Group handled 21.0% of total cargo turnover at all Russian seaports taking into account incorporated ports of Crimea in 2014, including 39.3% of cargo turnover at ports in the Azov and Black Sea basin and 24.5% of turnover at ports in the Baltic basin.

The Group's market share in handling of selected types of cargo was 38.9% for crude oil, 21.7% for oil products, 40.8% for ferrous metals, 27.9% for iron ore and 24.9% for grain.

The Group's overall market share shrank by 2.9 percentage points (pp) in 2014 compared to the previous year, primarily due to the decrease in turnover and decline in market share of crude oil handling by 5.3 pp. However, the Group increased its market share in handling of other key commodities, including by 2.5 pp for grain, 1.7 pp for ferrous metals and 2.2 pp for ore. This enabled the Company to strengthen its leading positions in handling of dry cargo in Russia.

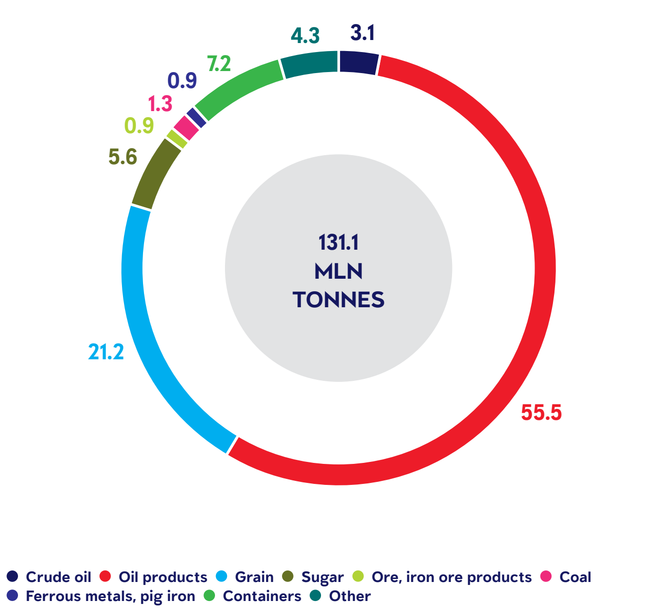
There were no significant changes in 2014 in the structure of NCSP Group's export cargo turnover, which amounted to 94.9% of the total amount of cargo handled by the Group. The main export destination was Europe, which accounted for 75.6% or 94.1 million tonnes of export cargo in 2014. Primarily crude oil, oil products and ferrous metals were shipped to Europe. The second most important export destination was Asia, with 13.1% or 16.3 million tonnes of export cargo in 2014, including crude oil, oil products, grain, ferrous metals, containers and iron ore. Import cargo traditionally consists of cargo in containers, raw sugar and perishable goods.

NCSP Group's cargo turnover in 2014 included 72.8 million tonnes of crude oil, 27.8 million tonnes of oil products, 9.5 million tonnes of ferrous metals and pig iron, 7.4 million tonnes of grain, 1.7 million tonnes of ore cargo, 5.5 million tonnes or 639,700 TEU of container cargo and 6.4 million tonnes of other cargo.

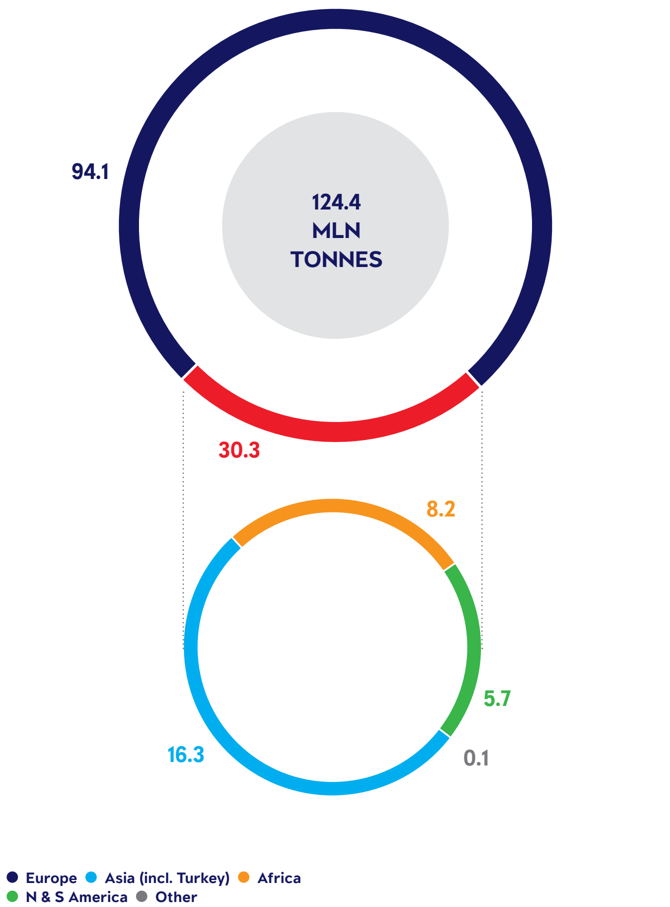
The combined decrease in turnover across all categories of cargo amounted to 19.6 million tonnes in 2014, including a drop of 18.9 million tonnes in handling of crude oil.

Meanwhile, the combined increase in turnover across all cargo categories in 2014 was 9.6 million tonnes, as transshipment increased by 3.6 million tonnes for oil products, 3.3 million tonnes for grain, 0.9 million tonnes for ferrous metals and pig iron, 0.4 million tonnes for sugar and 0.3 million tonnes for coal.

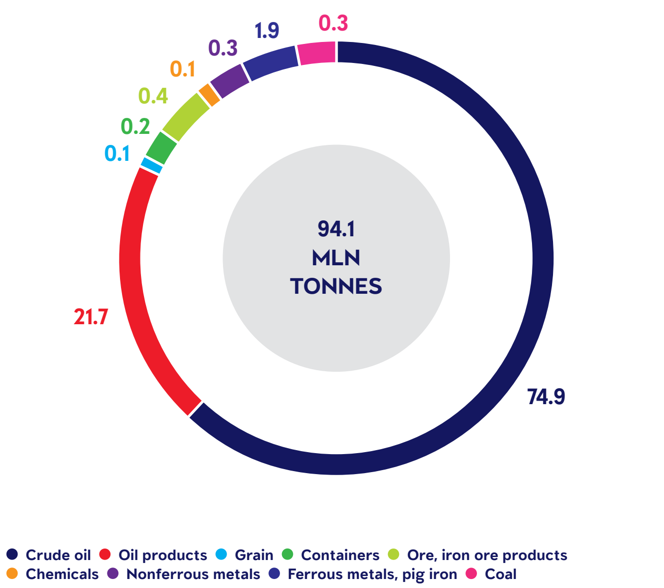
NCSP GROUP CARGO TURNOVER STRUCTURE IN 2014, %



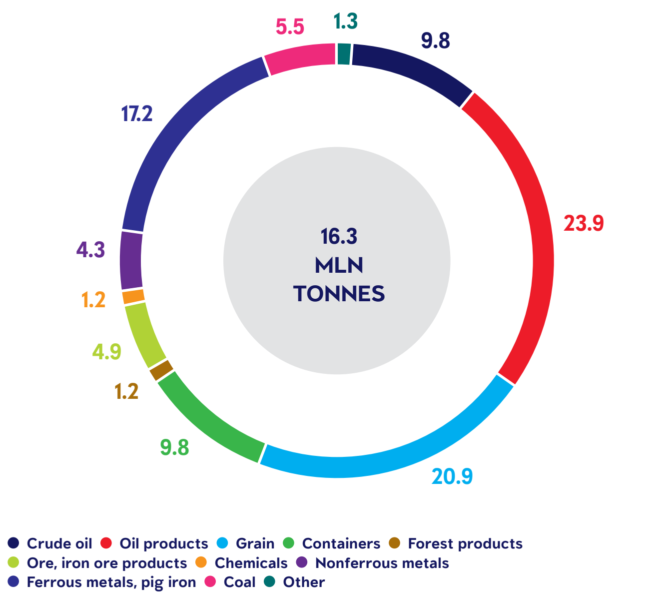
GEOGRAPHICAL STRUCTURE OF NCSP GROUP EXPORT CARGO TURNOVER IN 2014, MLN TONNES



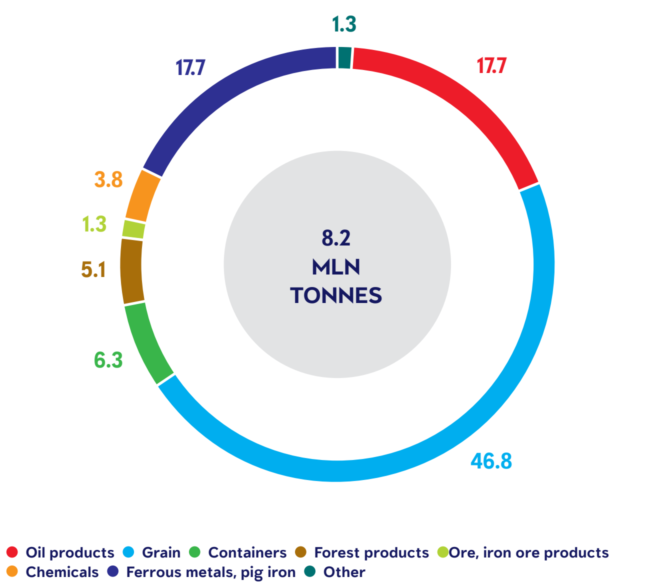
EUROPE, %



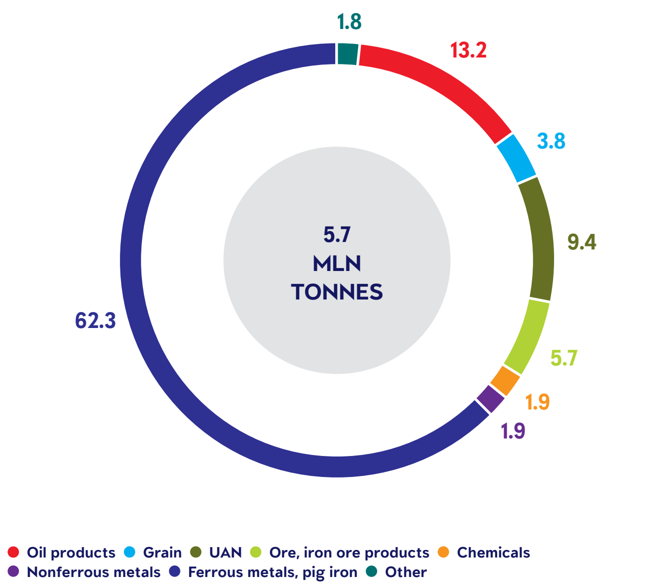
ASIA, %



AFRICA, %



N&S AMERICA, %



There were no significant changes in the structure of NCSP Group's cargo turnover by type of cargo in 2014 with the exception of the decrease in the share of crude oil by 9.6 pp, and growth in the share of oil products by 4.0 pp, as well as the share of grain cargo by 2.8 pp and ferrous metals by 1.2 pp as handling volumes for these commodities increased.

Factors beyond NCSP Group's control had the greatest negative impact on cargo handling volumes last year. These factors included the drop in Russian oil exports overall and a significant redistribution of export traffic among ports and pipelines in the Far East and the Northwest. Handling volumes grew for all key cargo except crude oil.

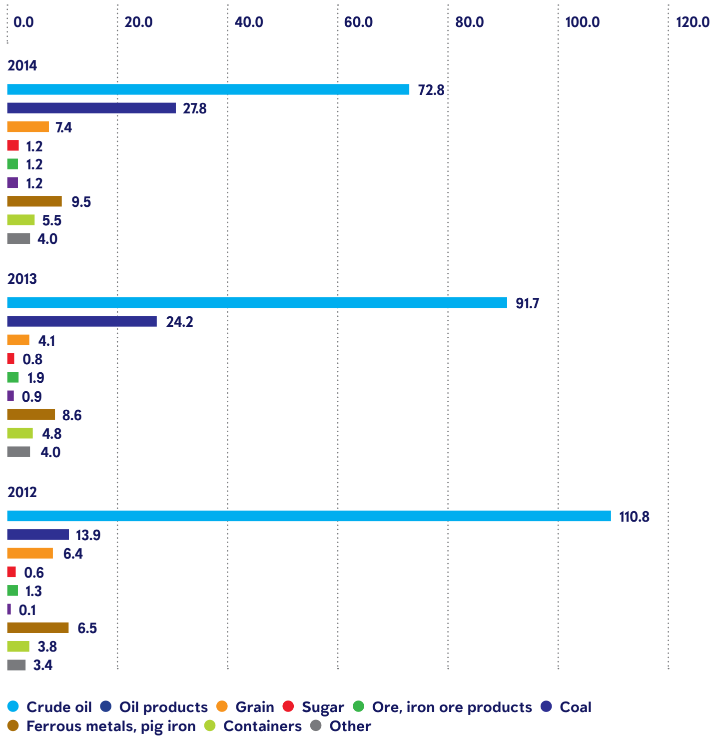
Negative external factors:

- The overall decrease in Russian oil exports by 13.2 million tonnes[1] and growth of oil refining in Russia by 13.5 million tonnes[2]
- The growth of oil shipments via the Transneft pipeline system through land border crossings; redistribution of export and transit oil traffic in the Transneft system in favor of the premium eastern route, as well as priority utilization of handling capacity at the Ust-Luga and Kozmino ports, where liquid cargo turnover grew by 10 million tonnes[3] and 3.6 million tonnes[4] respectively
- The slump in demand on the world market for ore mined in Russia under pressure from declining spot prices for iron ore products with delivery to the world's largest market for this product, China, by 40%[5] since January 2014
- Constraints on cargo traffic coming by the North Caucasus Railway into Russian ports of the Black Sea basin in the first quarter due to the organization and holding of the Winter Olympics in Sochi

Positive external factors:

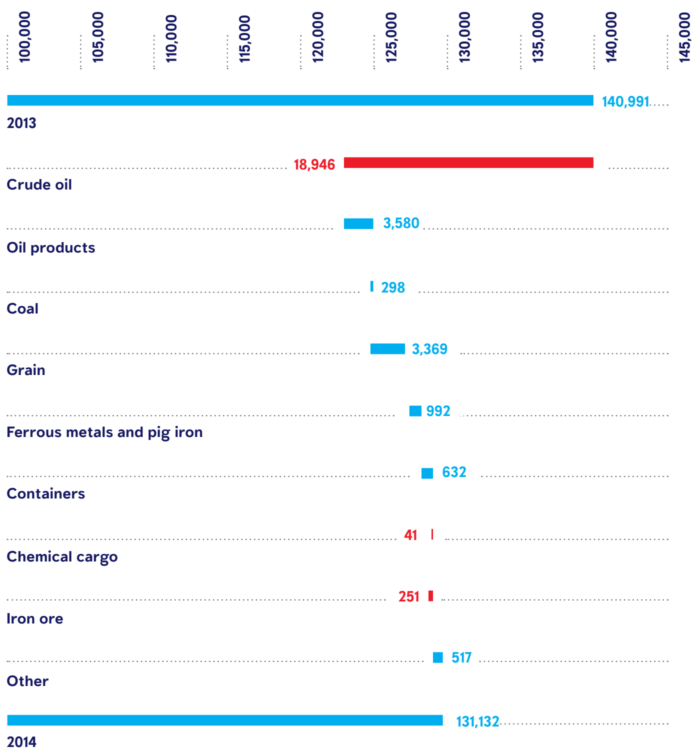
- The implementation of a government program to increase primary oil refining and the depth of refining, which led to refined products replacing some crude oil in Russia's export portfolio as their exports grew by 13.4 million tonnes[6]
- A strong grain harvest in 2013/2014, which pushed grain exports up by 8.3 million tonnes[7]
- The growth of Russian ferrous metal exports by 2.0 million tonnes[8] as the supply of Ukrainian product decreased and Russian steel became more competitive after the depreciation of the ruble
- The growth of coal exports by 14.2 million tonnes, largely due to shipments to Mediterranean countries amid a significant drop in coal exports from Ukraine in the second half of 2014

NCSP GROUP TURNOVER OF MAIN CARGOS, MLN TONNES



Source: Federal Statistics Service of Russia

CHANGES IN TURNOVER OF MAIN CARGOS IN 2014 COMPARED TO 2013, '000 TONNES



1 Source: Federal Statistics Service of Russia.
2 Source: InfoTEK.
3–4 Source: ASOP.
5 Prices for iron ore with 62% Fe content at Port of Tianjin. China accounts for more than half of the world's iron ore consumption.
6–8 Source: Federal Customs Service of Russia.

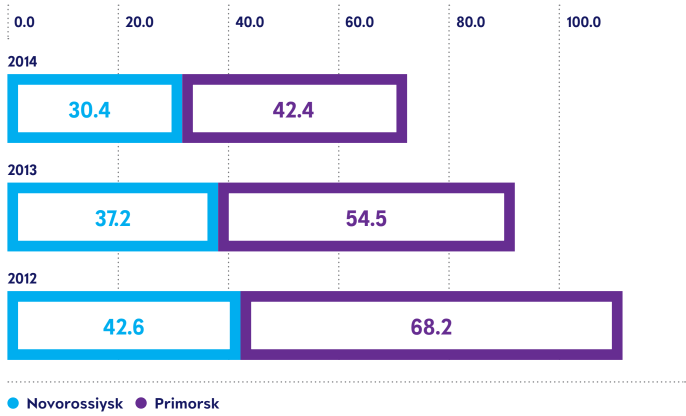
NCSP Group efforts to increase cargo turnover:

- attracting additional diesel fuel shipments to Novorossiysk;
- signing an agreement with Metalloinvest, and acquiring additional transshipments of ferrous metals and pig iron from Novorosmetall, Volga-FEST, Chelyabinsk Metallurgical Plant and Tulachermet;
- expansion of chemical cargo nomenclature due to increase of transshipment of sulphur;
- development of trahsshipment of coal, which was launched in 2013;
- consolidating of raw sugar traffic amid general growth of imports and transit shipments.

CRUDE OIL

Crude oil transshipments at NCSP Group companies fell by 19 million tonnes or 20.7% to 72.8 million tonnes in 2014, including by 6.8 million tonnes or 18.2% to 30.4 million tonnes in Novorossiysk and by 12.2 million tonnes or 22.3% in Primorsk.

TRANSSHIPMENT OF CRUDE OIL, MLN TONNES



The main reasons for the decline in crude oil turnover:

- The overall decrease in Russian oil exports by 13.2 million tonnes[9] and growth of oil refining in Russia by 13.5 million tonnes[10]
- The growth of Russian oil exports along Transneft's Eastern Siberia — Pacific Ocean-2 pipeline system by 10.6 million tonnes to 47.5 million tonnes, including an increase of 7.0 million tonnes through the land crossing Atasu-Alashankou and growth of 3.6 million tonnes through new handling capacity at the Kozmino port[11]
- The redistribution of western export and transit traffic in the Transneft pipeline system in favor of priority utilization of the latest handling capacity at Ust-Luga, where oil transshipment volume did not change despite the general decline of Russian exports (this port also became more attractive for Kazakh oil exporters thanks to a lower tariff set at the beginning of 2014 for shipping oil from Kazakhstan through Transneft's system)
- A drop in oil exports of 2.0 million tonnes[12] year-on-year in December 2014 due to oil companies' expectations that the export duty would be lowered as of January 1, 2015

OIL PRODUCTS

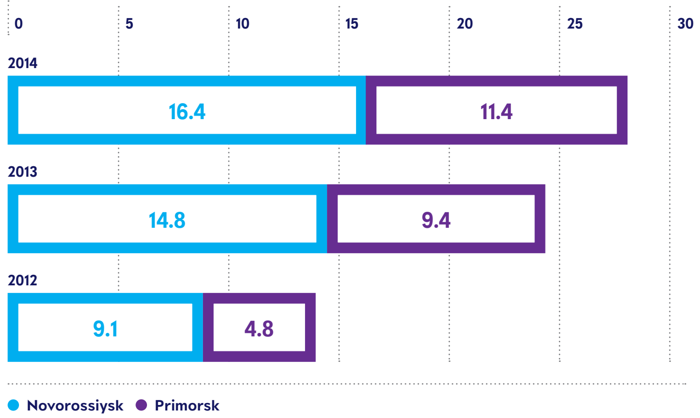
Transshipment of oil products saw the strongest growth in absolute terms in 2014, growing by 3.6 million tonnes or 14.8% to 27.8 million tonnes.

This included 16.4 million tonnes of oil products handled in Novorossiysk and 11.4 million tonnes in Primorsk, respectively 1.6 million tonnes or 11.1% and 2.0 million tonnes or 20.6% more than in the previous year.

The growth was driven primarily by a government program to increase primary oil refining and the depth of refining in Russia, which led to refined products replacing some crude oil in the country's export portfolio. As a result, Russian oil product exports grew by 13.4 million tonnes in 2014.[13]

Transneft has said that it plans to convert part of its idle oil pipelines along the Tikhoretsk-Novorossiysk section to expand capacity for shipping diesel fuel through the Port of Novorossiysk as part of the project to build the South oil product pipeline. The first phase, making it possible to ship 6 million tonnes of diesel per year, is scheduled for completion in 2016.

TRANSSHIPMENT OF OIL PRODUCTS, MLN TONNES



The growth of oil product exports through the Port of Primorsk was due in part to the transition to production and shipment of Euro 5 diesel fuel with low sulphur content at Surgutneftegas' Kirishi Oil Refinery. This made it possible to eliminate assignment of separate capacity and to alternately pump fuel of various quality.

In addition, following the conversion of a portion of one of the lines of the Baltic Pipeline System (BPS) on the Kirishi-Primorsk section, the capacity of the product pipeline reached 13.1 million tonnes per year, increasing the potential for transshipment through Primorsk. The second phase of expansion, to 15 million tonnes per year, is supposed to be completed in early 2017, and Transneft has plans to expand the system to 25 million tonnes per year.

9 Source: Federal Statistics Service of Russia.
10 Source: InfoTEK.
11 Source: Transneft.
12–13 Source: Federal Customs Service of Russia

FERROUS METALS AND PIG IRON

Transshipment of ferrous metals and pig iron by NCSP Group companies through the Port of Novorossiysk grew by 1 million tonnes or 11.6% to 9.5 million tonnes in 2014. This was nearly twice the growth rate of 5.9%[14] for transshipment of ferrous metals at Russian ports in 2014.

In October 2014, PJSC NCSP and Metalloinvest, one of NCSP Group's biggest customers for transshipment of ferrous metals and pig iron, signed a letter of intent on the organization of bulk shipments of iron ore products for export and the Group's implementation of a project to build a specialized facility for handling bulk cargo at the Port of Novorossiysk.

At the new terminal, NCSP Group will provide the technical capabilities to receive, store and transship up to 10 million tonnes of bulk cargo per year through its own port infrastructure and using the latest technology and equipment. Metalloinvest, in turn, is interested in arranging for the shipment of various types of iron ore products for export through the port infrastructure of NCSP Group's new bulk cargo terminal in the amount of up to 10 million tonnes per year. The project is expected to be implemented in 2016-2019.

The Group also acquired additional ferrous metal and pig iron transshipments from other clients, such as Novorosmetall, Volga — FEST, Chelyabinsk Metallurgical Plant and Tulachermet.

GRAIN

Russia's strong grain harvest in 2013/2014, particularly in contrast with the weak harvest of 2012/2013, boosted the country's grain exports by 8.3 million tonnes.[14] The geography of Russian grain exports expanded to markets that were previously considered 'exotic,' such as Mexico, Oman, South Korea, Sri Lanka, Senegal, Kenya and Nigeria, among others.

NCSP Group's grain transshipments at the Port of Novorossiysk surged in 2014 by 82.9% or by 3.4 million tonnes to 7.4 million tonnes.

Competition in grain transshipments is intensifying in southern Russia. While previously the only modern grain terminal was at the Port of Novorossiysk, now new terminals have been opened in Tuapse and Taman, and by the company KSK in Novorossiysk. Offloading of grain at anchor in the harbor is also growing.

In December 2014, Russia's Federal Veterinary and Phyto-Sanitary Oversight Service and Transport Ministry began to take steps to restrict the issue of phyto-sanitary certificates for grain exports in order to prevent a grain shortage and price growth within the country. Exceptions were made for exports to Egypt, Turkey, India and Armenia.

CONTAINER CARGO

NCSP Group handled 4.8% or 29,100 TEU more container cargo in 2014. Container turnover grew by 16,500 TEU to 460,400 TEU in Novorossiysk, primarily thanks to growth in volume acquired from container lines OOCL and MAERSK beginning in the second half of 2013, as well as from container line MSC in December 2014. Container turnover in Baltiysk increased by 12,600 TEU to 170,300 TEU, largely on the back of growth in shipments to automobile assembly plants in Kaliningrad Region in the first half of 2014 despite a drop in the second half of the year.

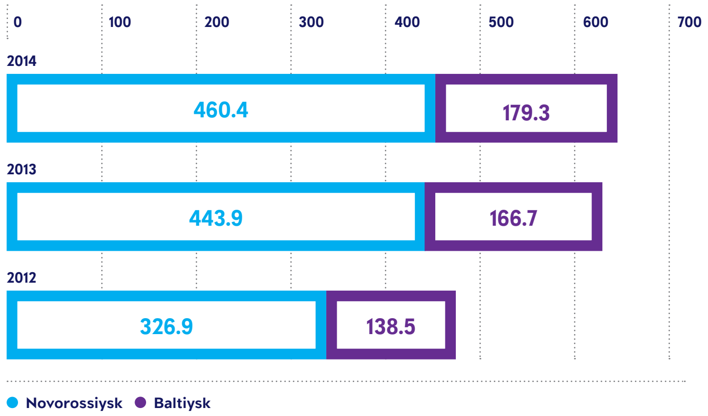
The depreciation of the ruble has reduced demand for imported goods while increasing the appeal of exports of Russian manufactured goods, but the rate of change in 2014 was insufficient to have a noticeable impact on container cargo transshipments.

OTHER CARGO

Among other cargo that demonstrated strong growth in 2014, transshipment of imported and transit raw sugar through the Port of Novorossiysk stood out, increasing by 38.0% to around 1.2 million tonnes. Russian imports of the product grew by 25.6%.[15]

Transshipment of imported and transit raw sugar grew throughout the year, despite the fact that the depreciation of the ruble increased the competitiveness of sugar made from domestic sugar beet and curbed the appeal of imported product. NCSP Group's high figures are due to the advantageous geographic and logistical location of the port.

TRANSSHIPMENT OF CONTAINERS, '000 TEU



NCSP Group increased transshipment of coal by 33.0% or 0.3 million tonnes to 1.2 million tonnes in 2014 on the back of shipments to Mediterranean countries as Ukrainian coal exports decreased dramatically in the second half of the year. Coal shipments through Ukrainian ports fell by 1 million tonnes[17] or 16%.

Meanwhile, demand for transshipment of coal in the Port of Novorossiysk increased the throughput capacity of the North Caucasus Railway and the port.

In January 2015, PJSC NCSP and the North Caucasus Railway signed a provision on integrated dispatch exchange that is intended to improve cooperation between the Novorossiysk Commercial Sea Port and the railway, and reduce and prevent excessive waits for loading and unloading of freight cars.

[14] Source: ASOP.
[15–16] Source: Federal Customs Service of Russia.
[17] Source: ASOP.

CUSTOMERS

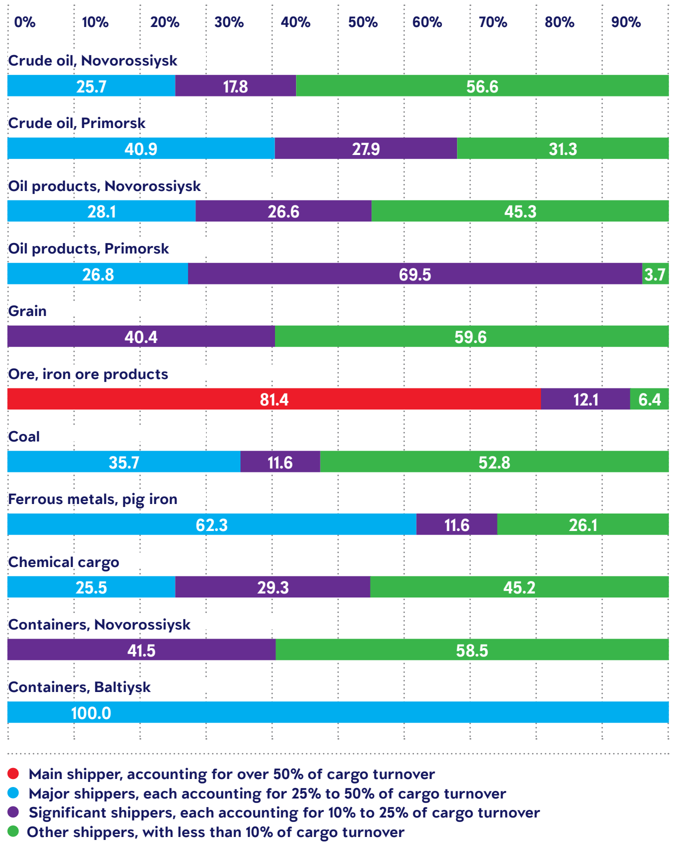
NCSP Group's main customers are major industrial companies in the resource and manufacturing sectors. The biggest shippers of liquid cargo include oil companies Rosneft, Lukoil, Gazprom Neft and Bashneft. Leading shippers of general cargo are NLMK Group, Metalloinvest and Rusal, and the largest shippers of bulk cargo are Metalloinvest, EuroChem and Azot.

The largest grain operators in 2014 were United Grain Company (UGC) and Louis Dreyfus Commodities Vostok. Container lines MSC, MAERSK, ARKAS and ZIM, as well as Kaliningrad automaker Avtotor accounted for the largest share of container cargo turnover.

Despite a competitive environment that makes it possible to redirect cargo through various Russian ports, there are infrastructure connections, as well as natural geographic and logistical advantages that encourage customers to choose the ports of the NCSP Group.

NCSP Group's customer base by main cargo categories is fairly diversified and does not depend on any single shipper.

CUSTOMER DEPENDENCE – SHARE OF LARGE SHIPPERS IN NCSP GROUP TURNOVER IN 2014, %



ADDITIONAL PORT SERVICES AND SHIP REPAIR

NCSP Group provides a broad range of additional port services, including storage and repacking of cargo, processing of customs and shipping documents, as well as auxiliary port fleet services such as tug and towing services, firefighting services, waste collection and ship fueling services.

Towing services and firefighting services (nominal total volume of vessels) provided by Group companies in 2014 amounted to respectively 711.8 million m^3 and 122.8 million m^3. Waste collection, bunkering and drinking water supply services amounted to respectively 3.7 million m^3, 268,400 tonnes and 1,700 tonnes.

The NSRZ shipyard carried out 5 ship repair contracts in 2014, including 4 ships for NCSP Fleet. It also carried out 8 commercial contracts.

FINANCIAL RESULTS REVIEW

The Group's balanced price policy and an increase in the share of high-margin cargo enabled NCSP Group to increase revenue by 3.0% in 2014, despite the overall decrease in cargo turnover by 7.0%.

NCSP Group's consolidated revenue totaled USD955.6 million in 2014. Cost of sales decreased by 12.2% or USD51.8 million to USD372.7 million, and selling, general and administrative expenses fell by 6.9% to USD71.6 million. As a result, EBITDA grew by 11.5% to USD569.1 million in 2014; the EBITDA margin was 59.6%. The Group had a net loss of USD414.7 million for 2014 due to noncash charges on exchange rate differences in the amount of USD789.1 million. NCSP Group's debt stood at USD1.7414 billion as of December 31, 2014 and the net debt/EBITDA ratio was 2.51.

REVENUE

NCSP Group's consolidated revenue grew by 3.0% or USD27.5 million to USD955.6 million in 2014, with revenue from stevedoring services increasing by 2.4% or USD17.4 million to USD752.5 million. Growth in handling of certain cargo contributed USD41.5 million* to stevedoring revenue growth and changes in rates for handling certain cargo contributed USD11.6 million.* Revenue from additional port services grew by 23.7% or USD20.5 million, while revenue from fleet services decreased by 10.0% or USD9.1 million, and revenue generated by other services fell by 7.5% or USD1.3 million.

Changes in turnover for certain types of cargo had the following impact on revenue in 2014:

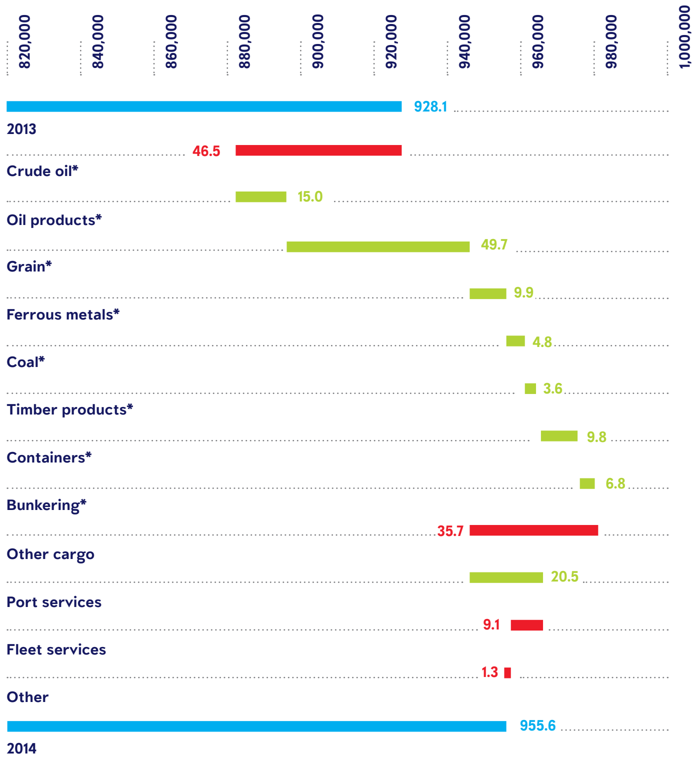
- A decrease in transshipment of crude oil by 19.0 million tonnes* or 20.7%* year-on-year reduced stevedoring revenue by USD46.5 million* or 20.1%.* At the Port of Novorossiysk, the decline of oil handling by 18.2%* or 6.8 million tonnes* was offset by an increase in the handling rate from USD2.6 to USD3.2 per tonne in 2014. Oil handling revenue at the Port of Primorsk fell by 22.3%* in ruble terms as cargo turnover decreased by 12.2 million tonnes.* Due to the ruble's depreciation against the U. S. dollar, the final decrease in revenue amounted to 34.9%.
- Growth of oil product handling by 3.6 million tonnes* or 14.8%* across the Group, combined with a change in PJSC NCSP rates, increased revenue from this cargo by USD15 million* or 12.6%* year-on-year.
- Growth of grain handling by 3.4 million tonnes* or 82.9%* year-on-year increased grain revenue by USD49.7 million* or 89.8%.*
- Revenue from handling ferrous metals and pig iron grew by USD9.9 million* or 13.5%,* as handling volume increased by 1 million tonnes* or 11.6%.*
- Revenue from handling coal and forest products rose by USD4.9 million* and USD3.6 million* respectively.

* According to management reporting data.

NCSP GROUP KEY CONSOLIDATED OPERATING AND FINANCIAL INDICATORS FOR 2014 (USD MLN UNLESS OTHERWISE INDICATED)

	2014	2013
Revenue	955.6	928.1
Of which: Stevedoring services	752.5	735.1
Additional port services	106.9	86.4
Fleet services	81.5	90.7
Other	14.7	15.9
Cost of sales	(372.7)	(424.5)
Selling, general & administrative expenses	(71.6)	(76.9)
Foreign exchange (loss)/gain	(789.1)	(125.4)
Loss for period	(414.7)	(104.7)
EBITDA[1]	569.1	510.4
EBITDA margin (%)[1]	59.60%	55.00%
Capital expenditures (CAPEX)	96.9	127.5
	31.12.2014	31.12.2013
Debt (including financial lease)	1,741.4	2,186.0
Cash & cash equivalents	310.7	421,0
Net debt[1]	1,430.7	1,765.0
Net debt/EBITDA[1]	2.51	3.46

CHANGES IN NCSP GROUP REVENUE IN 2014, USD MLN



- Container turnover growth of 4.8%* in TEU and 13.1%* in tonnes increased revenue by USD9.8 million* or 17.6%,* in part thanks to the higher rate for loaded containers, the share of which rose to 62.7%* in 2014 from 60.6%* in 2013.
- Revenue from handling other cargo increased by USD6.8 million overall.
- Revenue from bunkering as part of stevedoring services decreased by USD35.7 million.

* According to management reporting data.

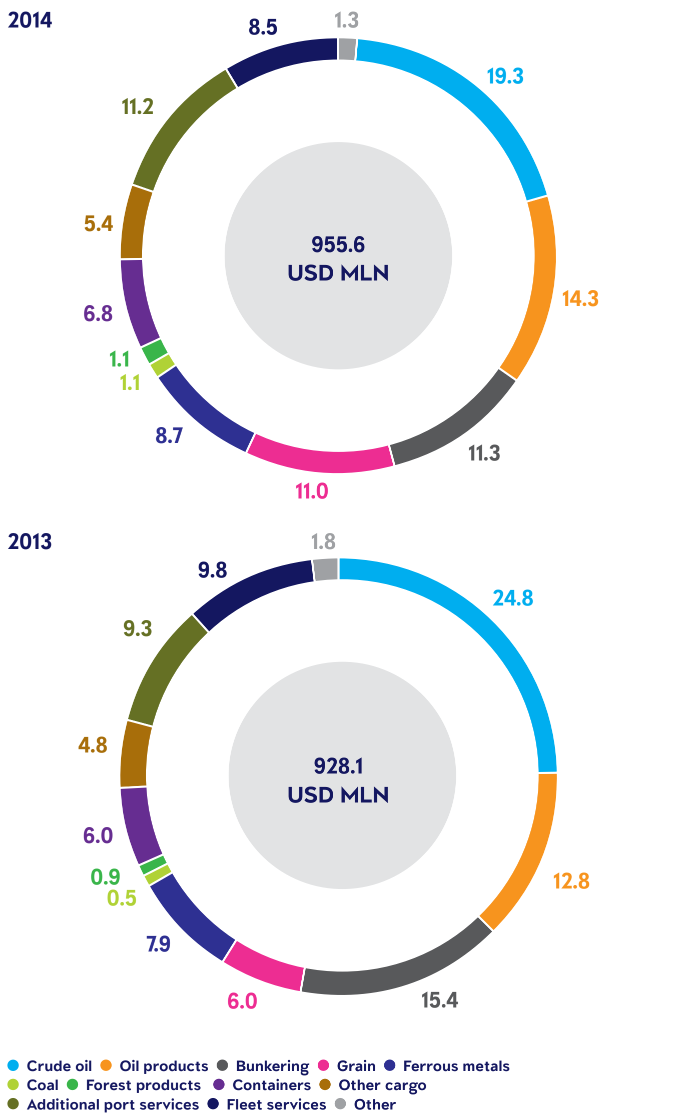
COSTS

The Group's cost of sales fell by 12.2% or USD51.8 million to USD372.7 million. This was, among other things, due to a decrease of 22.5% or USD31.1 million in expenditures on fuel for resale and own use, and a decrease of 5.9% or USD4.5 million in salary expenses.

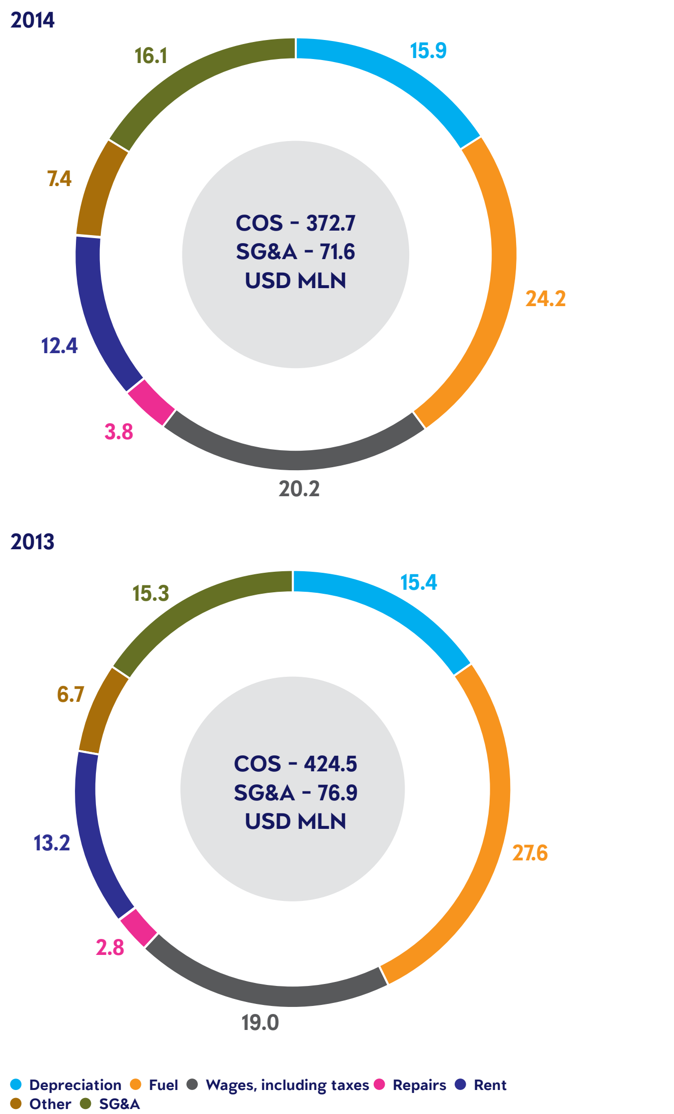
Since most of the Group's expenses are denominated in rubles, exchange rate changes have a significant impact on their dynamics in USD denominated accounts. In ruble terms, the Group's cost of sales grew by 3.8% in 2014, which was far below the rate of inflation for the period.

Selling, general and administrative expenses decreased by 6.9% or USD5.3 million to USD71.6 million in 2014. Growth of impairment losses in trade and other receivables by USD4.8 million had a significant impact on overall expenses in 2014. In ruble terms, selling, general and administrative expenses increased by 14.0%.

NCSP GROUP REVENUE STRUCTURE, %



NCSP GROUP COST STRUCTURE, %



EBITDA

The Group's EBITDA grew by 11.5% or USD58.7 million* to USD569.1 million* in 2014. The EBITDA margin rose by 4.6 percentage points* to 59.6%.*

The following factors affected the change in EBITDA in 2014:

- Growth of stevedoring revenue on the back of an increase in turnover and the share of higher margin cargo, as well as increases in some rates contributed USD61.5 million* to the growth of EBITDA compared to the previous year.
- Growth of revenue from additional port services on one hand, and a decrease in revenue from fleet services on the other together added USD6.1 million* to EBITDA.
- A loss of USD7.1 million on interest in LLC Novorossiysk Fuel Oil Terminal (NMT) in 2014 compared to a profit of USD1.8 million in 2013 subtracted USD8.9 million from EBITDA.

NET LOSS

NCSP Group posted a net loss of USD414.7 million for 2014 compared to a loss of USD104.7 million in 2013.

The losses were due to noncash charges on exchange rate differences in the amount of USD789.1 million in 2014 and USD125.4 million in 2013. Exchange rate differences are generated as a result of the revaluation of the Group's financial liabilities and assets in foreign currency at the ruble exchange rate at the beginning and end of the reporting period.

LIQUIDITY

Net cash flow from operations grew by USD67.4 million or 20.8% to USD391.5 million in 2014, primarily on the back of operating income growth with an increase in the share of high-margin cargo and growth of additional services.

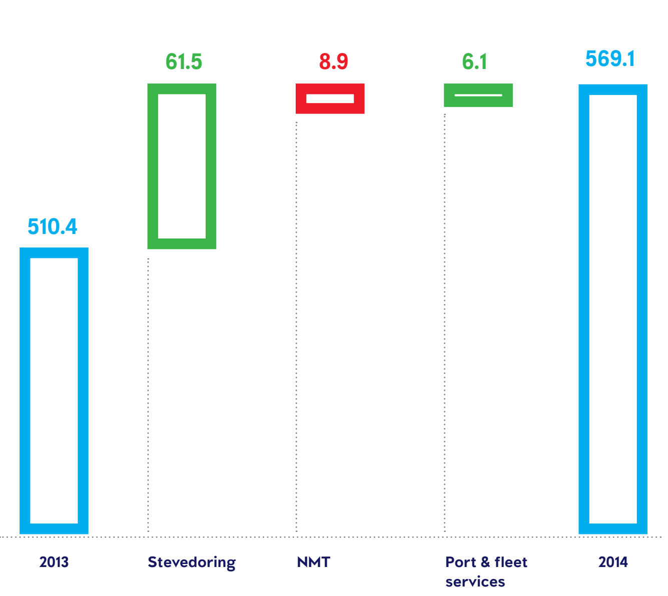
Net cash used in investing activities almost doubled, increasing by USD28.2 million to USD57.8 million in 2014, largely due to a decrease in revenue under the item 'sale of other financial assets,' which in 2013 reflected the repayment of a loan extended to NMT.

Net cash used in financing activities almost quadrupled to USD403.9 million in 2014 from USD109.1 million in 2013, primarily due to the repayment of debt on a loan agreement with Sberbank in 2014.

As a result, after conversion into presentation currency, cash and cash equivalents decreased by USD110.3 million in 2014 to USD310.7 million at the end of the year.

* According to management reporting data.

CHANGES IN NCSP GROUP EBITDA IN 2014, USD MLN*



CAPITAL EXPENDITURES

The Group acquired property, plant and equipment with a combined value of USD96.9 million in 2014, compared to USD127.5 million in 2013. The Company paid USD107.1 million for property, plant and equipment in 2014, including USD12.9 million under financial lease contracts, compared to respectively USD105.4 million and USD8.7 million in 2013.

In 2014, there were no acquisitions of property, plant and equipment received under financial lease, while in 2013 such expenditures on machinery and equipment totaled USD29.9 million.

This factor, combined with the impact of exchange rates, explains the decrease in capital expenditures by USD30.6 million compared to 2013.

DEBT

NCSP Group's debt, including financial lease liabilities, stood at USD1.7414 billion on December 31, 2014, down by USD444.6 million or 20.3% from December 31, 2013.

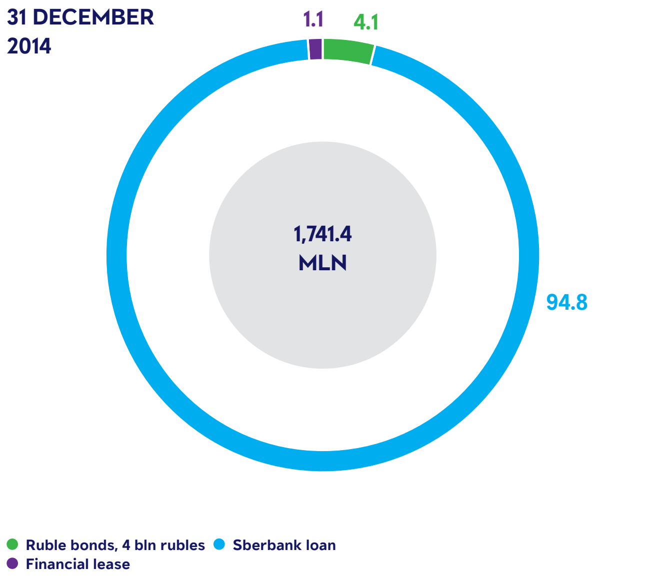
The Group repaid USD300 million of principal debt on schedule on a Sberbank loan of USD1.95 billion and completely repaid outstanding debt on ruble loans from Sberbank totaling USD73.0 million in 2014.

PJSC NCSP and Sberbank signed an addendum agreement on March 18, 2015 to amend covenants on the loan of USD1.95 billion. The change of conditions includes determining the share price with a report from an independent appraiser once a year by June 30 instead of the exchange price criteria used previously.

The outstanding debt on the Sberbank loan is USD1.65 billion, and the annual interest rate is 5% plus the three-month LIBOR; the due date is January 18, 2018.

The average annual effective interest rate on NCSP Group borrowing was 5.4% as of December 31, 2014.

NCSP GROUP DEBT STRUCTURE, %



SOCIAL RESPONSIBILITY

FERROUS METALS LOADING

THE PORT OF NOVOROSSIYSK CAN ACCOMMODATE BULK CARRIERS WITH DEADWEIGHT UP TO 85,000 TONNES. SEVERAL CRANES WITH CAPACITY OF UP TO 124 TONNES CAN BE USED SIMULTANEOUSLY TO LOAD SUCH VESSELS.

UNLOADING OF RAILCARS

REACH STACKERS WITH A MAGNET OR UNIVERSAL GRABBER ARE USED TO HANDLE METALS WITHOUT CRANES, ALLOWING OPERATIONS IN STRONGER WINDS THAN WITH UNIVERSAL CRANES.

TRANSPORT BY TRACTOR

THE 240 HP TERBERG RT223 PORT TRACTOR CAN HANDLE ANY TYPE OF CARGO UP TO 48 TONNES

LOADING WITH FORKLIFT

FORKLIFTS CAN HANDLE ANY TYPE OF CARGO. NCSP USES FORKLIFTS WITH CAPACITY OF 1.5 TO 42 TONNES.

AUTOMOBILE TRANSSHIPMENT

WE ARE CONTINUALLY DEVELOPING AND INTRODUCING NEW TYPES OF CARGO. THE PROJECT TO HANDLE AUTOMOBILES WAS LAUNCHED IN 2013.

HUMAN RESOURCES POLICY

GENERAL PRINCIPLES

One of the key factors in NCSP Group's successful development is a balanced human resources policy that is consistent with the Company's strategic plans to increase productivity.

The goal of this policy is to ensure that employees are highly skilled and motivated, and to foster and maintain a supportive corporate culture.

Maximizing the employment of existing staff, consistent real-location of vacancies among related work areas and a direct link between performance and pay enable the Group's companies to operate efficiently.

The average salary at NCSP Group reached USD1,200.*

The Group had an average of 6,914 employees in 2014.

The average age of the Group's employees was 43.5 years in 2014. Most employees work in operational departments; administrative staff make up 7.5% of employees.

Labor relations at most NCSP Group companies have been governed since 2007 by collective agreements that guarantee employees decent and safe working conditions, opportunities for training and professional development, and social benefits and security.

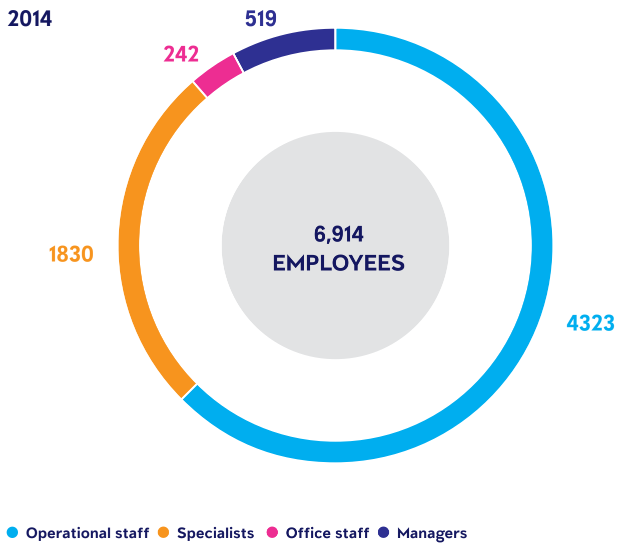
The current collective agreement between PJSC NCSP management and employees is valid until 2016. The agreement, developed with the participation of the Joint Representative Body,[1] defines the rights and obligations of employees, union bodies and the employer. The agreement regulates issues concerning pay, including the mechanism for indexation of the fixed portion of employee pay by 5%[2] annually for all wages and salaries, as well as health and safety. The agreement affirms the rights of employees to receive a number of additional types of material incentives, extra pay for work in difficult and hazardous conditions, for multi-skilling and increased workload.

NCSP Group's human resources enable the Group to achieve its goals and meet its objectives.

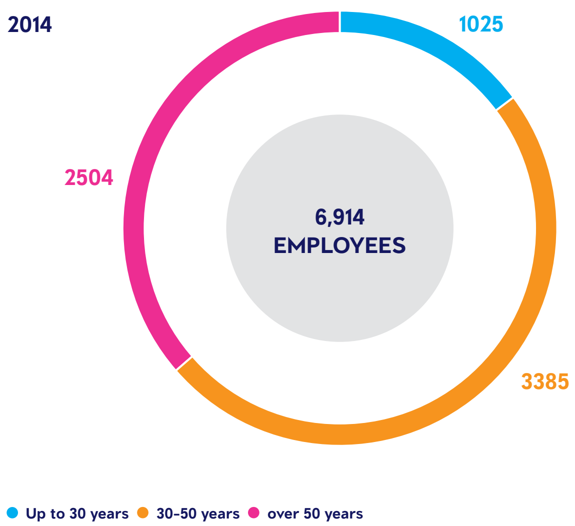
The company newspaper RU Port has a regular Our People section that reports on all the important events in the lives of port workers, as well as their everyday lives, along with the lives of retirees and port veterans.

[1] The Joint Representative Body represents the interests of the primary trade union organizations at subsidiaries.
[2] Piece rates, hourly rates, monthly salaries and monthly base rates were indexed by 5% effective January 1, 2015.
* According to management reporting data.

NCSP GROUP EMPLOYEES BY CATEGORY



NCSP GROUP EMPLOYEES BY AGE GROUP



In 2014, NCSP Group's best employees were honored by the Transport Ministry of the Russian Federation with official awards for their achievements and dedicated service on marine and inland water transport, and recognized for their dedicated work, professionalism and personal contributions to the development of the Kuban region's transport sector with letters of commendation and acknowledgements by the Krasnodar Territory Administration and the mayor's office.

TRAINING

Planning and effecting the continuous professional development of company employees is essential to achieving the goals of NCSP Group's human resources policy.

The human resources departments of NCSP Group companies have a common approach in their programs for training operational staff.

Corporate educational unit «NCSP Training Center» is a part of the Human Resources Directorate of NCSP Group, which has served for many years as a unified platform for professional education, retraining and advancing the qualifications of the personnel of NCSP Group.

The Admiral Ushakov State Maritime University in Novorossiysk is the main post-secondary institution for the Company's engineering staff. NCSP Group plans to develop cooperation with industry post-secondary educational institutions in the area of forecasting prospects for development, and exchange of marketing and scientific and technical information.

NCSP Group companies spent USD643,600 on employee training in 2014.*

NCSP Group companies are also involved in the education process, providing students at post-secondary institutions and vocational schools with opportunities for work placements and internships.

BENEFITS

NCSP Group, in pursuit of its commitment to a policy of corporate responsibility, has an extensive system of benefits for its employees.

Company employees continue to be entitled to additional and incentive payments, such as severance packages for retiring employees, bonuses for certain anniversaries and years of service and so on.

NCSP Group provides support to the families of its employees. Employees receive additional lump-sum payments upon the birth of children and monthly childcare allowances for children until the age of 18 months. The Company is also committed to supporting families with disabled children, multi-child families and pensioners. The Company works with a Port Veterans Council to deal with issues concerning the social security of veterans and assist in handling their social and domestic issues.

The Company cares about the health of its employees and therefore reimburses the cost of regular medical checkups, and pays annual bonuses equivalent to the average monthly salary when employees go on leave. The Company provides work accident insurance that also covers travel to and from work and third person liability.

* According to management reporting data.

SPENDING ON TRAINING BY NCSP GROUP COMPANIES IN 2014 ('000 USD)

	2014
NCSP	181.4
PTP	122.2
BSC	16.9
NGT	51.3
IPP	25.5
NCSP Fleet	117.2
NLE	52.0
NSRZ	45.3
SoyuzFlot Port	31.8
GROUP TOTAL	**643.6**

SOCIAL PROGRAMS

Women and Children	Benefits upon birth of children, benefits for multi-child families, monthly childcare benefits for children up to three years old
Anniversaries and Holidays	Assistance to participants in local conflicts for February 23, material assistance for union members
Best on the Job	Competition among port employees for title of Best in Department
Health	Partial reimbursement for medical expenses and medicine
Cultural Events	Organization of New Year celebrations for children, tickets for various events
Sports	Partial reimbursement of expenses for attending sports leagues, renting fitness rooms, holding various sports competitions
Solidarity Foundation	Benefits for parents with disabled children, health resort treatments for employees, summer camps for children with intensive English language programs, group vacations for union members, excursions, etc.

NCSP Group spent USD5,953,300 on additional social security benefits for employees in 2014.*

The Company continues to work closely with the Water Transport Workers Union of the Russian Federation (PRVT RF). Representatives of the primary union organizations of PJSC NCSP serve on the standing commissions for labor disputes, social insurance, and occupational health and safety. The chairman of the primary union organization of PJSC NCSP PRVT RF participates in weekly meetings with the CEO, considering issues of occupational health and safety, and social, economic and domestic issues. The trade union organization is the main link between employees and management at Group companies. All employees have the opportunity to personally speak with union leaders.

Spending on social programs totaled USD442,500 in 2014.*

OCCUPATIONAL HEALTH AND SAFETY

NCSP Group's key priority in the area of occupational health and safety is work process safety. Considering the specifics of stevedoring operations, which come with certain risks to the health and safety of employees, the Group is committed to minimizing injuries, accidents and work-related illnesses, and improving working conditions.

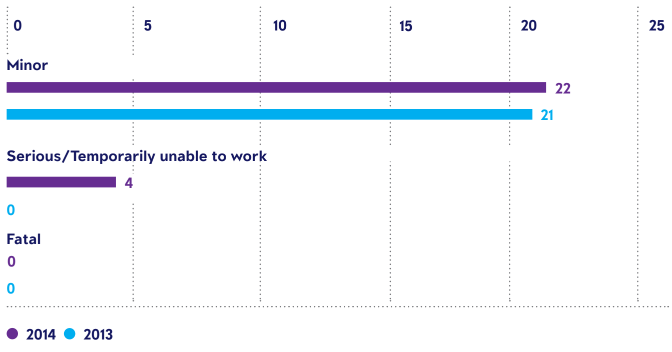
Group companies have an Occupational Safety Management System in place that helps regulate the process of monitoring, certification and reporting in each division.

In 2014, 3,239 PJSC NCSP employees underwent training and certification in occupational health and safety, and spending on measures in this area totaled about USD299,300.*

NCSP Group measures to improve working conditions include:

- ensuring worker safety on the job and respect for employee rights in the workplace in compliance with government occupational health and safety standards
- informing employees about working conditions at workplaces, existing health risks, measures of protection from the effects of harmful and/or hazardous operational factors and about guarantees and compensation to which employees working in harmful and/or hazardous conditions are entitled
- providing workers with personal protective equipment, and equipping workplaces with safety systems
- monitoring working conditions at workplaces
- arranging mandatory medical examinations of employees

WORKPLACE ACCIDENTS



NUMBER OF EMPLOYEES WHO UNDERWENT TRAINING AND CERTIFICATION IN OCCUPATIONAL HEALTH AND SAFETY, CIVIL DEFENSE AND EMERGENCY SITUATIONS BY NCSP GROUP COMPANIES IN 2014

	NUMBER OF EMPLOYEES
PJSC Novorossiysk Commercial Sea Port	3,239
LLC Primorsk Trade Port	246
LLC Baltic Stevedoring Company	164
JSC Novorossiysk Grain Terminal	266
JSC IPP	99
JSC NCSP Fleet	623
JSC Novoroslesexport	165
JSC Novorossiysk Ship Repair Yard	53
CJSC SoyuzFlot Port	607
GROUP TOTAL	5,462

* According to management reporting data.

RELATIONS WITH CONTRACTORS AND SUPPLIERS

NCSP Group is committed to the principle of transparency and builds its relations with partners on the basis of equitable, fair and cost effective cooperation. The Company has developed a methodology to ensure a common approach to the organization of work, selection of contractors, and preparation and signing of contracts with them.

PJSC NCSP's Board of Directors approved a new version of the Company's Regulation on Procurement of Goods and Services in 2014.

The regulation has been improved or refined in regard to:

- optimization of procedures for pre-qualified selection of possible participants outside the scope of competitive purchases
- standard requirements for procurement participants
- updating of list of procurement methods and procedure for using them
- procedure for entering into and fulfilling contracts

The Group has introduced a procedure for reviewing cost estimate documentation when work is done at company sites that achieves savings of at least 10% on the approved price of acquired services.

ENVIRONMENTAL PROTECTION

Minimizing environmental impact and maintaining the ecological balance in the waters of the Port of Novorossiysk on the Black Sea and the ports of Primorsk and Baltiysk on the Baltic Sea is one of NCSP Group's chief priorities. The Group strives to adhere to the principles and requirements of the ISO 14001:2004 international environmental management standard.

NCSP Group spending on environmental protection efforts totaled USD2,945,500.*

The Group has several services that work on ensuring environmental safety in port waters: the industrial safety department, the environmental protection department and a chemistry laboratory. PJSC NCSP is part of the system for daily notifying Novorossiysk residents about air quality. Actual greenhouse gas emissions do not exceed guidelines agreed on with regulators.

The Port of Novorossiysk has treatment facilities for biological treatment of domestic waste water and rainwater. NCSP Fleet disposes of ship waste, collects garbage in port waters and cleans up spills of crude oil and oil products.

CONSUMPTION OF FUEL AND ENERGY RESOURCES

The Board of Directors of PJSC NCSP approved an Innovative Development Program for 2011-2015 in 2011 that calls for a substantial reduction of energy consumption through modernization and introduction of methods for rational and efficient use of energy resources. The main objectives include transitioning to purchasing electricity on the free market and adopting energy saving technologies.

NCSP Group reduced its consumption of energy resources in 2014 by 3,900 tonnes of oil equivalent (toe) compared to 2013, to 97,800 toe. Overall decrease in energy consumption was due to the decrease in the Group's cargo turnover and the decrease in fleet services. Electricity consumption increased due to the growth in certain types of cargo turnover, in particular, growth of general cargo traffic at PJSC NCSP and refrigerated container traffic at BSC. Electricity consumption also grew because of colder weather in Novorossiysk during the 2013-2014 heating season.

The main measures to increase energy efficiency in 2014 involved modernization of electrical equipment at port terminals and engines on fleet ships.

The Federal Environmental, Technological and Atomic Oversight Service (Rostekhnadzor) granted NSRZ an indefinite license on September 23, 2014 to operate explosive- and fire-hazardous and chemically hazardous production facilities in hazard classes I, II and III.

PJSC NCSP and PTP conduct operations involving collection, use, transportation and disposal of hazard class 1-4 waste on the basis of current licenses issued by Rostekhnadzor.

A Plan to Prevent and Clean Up Spills of Oil and Oil Products at the PJSC NCSP Oil Terminal was approved in March 2014 to prevent and respond to spills and protect the environment. The main objective is to prevent the very possibility of an oil spill and, in the event of an emergency, to respond quickly and competently to minimize the consequences of a spill. PJSC NCSP has an oil product vapor recovery unit.

The Group pursues a number of measures to offset potential harm to marine biological resources and habitat, including agreements with facilities that artificially reproduce fish resources in Novorossiysk.

With a view to current standards and regulations, PJSC NCSP has modernized its emergency notification system for accidents and emergency situations. The system covers the whole area of the port, allowing transmission of alarms and voice commands from port management.

The environmental activities of PTP are aimed at protecting the ecosystem of the Baltic Sea.

In June and September 2014 PTP conducted a public hearing that resulted in the Plan for prevention and liquidation of oil and oil products spills of PTP as well as the evaluation of the environmental impact of PTP.

In 2014, representatives of PTP participated in the Baltic Sea Day International Environmental Forum, which discussed problems concerning the security of the marine environment and ways to solve them, and provided an opportunity to share experience with representatives from other countries in the region.

WASTE GENERATION AND MANAGEMENT AT NCSP GROUP (TONNES) IN 2014

Hazard class	Waste generation	Disposal handled independently	Disposal outsourced
1	2.18	0	2.18
2	22.5	0	22.5
3	2,109.4	1.0	2,222.0
4	10,335.9	1,072.8	9,987.1
5	13,607.8	0	13,171.6
TOTAL	26,077.7	1,073.8	25,405.3

* According to management reporting data.

ENERGY CONSUMPTION BY NCSP GROUP COMPANIES

RESOURCE	2013	2014	CHANGE, %
Electricity, mln kW	178.0	186.4	4.7%
Heat, '000 Gcal	29.8	15.6	-47.6%
FUEL			
Fuel Oil, '000 t	491.6	344.7	-29.9%
Diesel fuel, '000 t	14.0	12.9	-7.9%
Gasoline, '000 t	0.4	0.4	-9.8%
Natural gas, '000 m³	12,382.1	9,700.4	-21.7%
TOTAL, '000 TOE	101.7	97.8	-4.1%

USE OF WATER RESOURCES BY NCSP GROUP COMPANIES

RESOURCE	2013	2014
WATER INTAKE, '000 M³		
from underground sources	23.0	8.8
from public water supply systems	727.7	810.4
Total	750.6	819.2
WATER TREATMENT, '000 M³		
recycling of water	6.5	9.8
treatment of rainwater	34.2	74.6
Total	40.7	84.4
WASTE WATER DISPOSAL, '000 M³		
contaminated, without treatment	11,390.8	10,014.9
contaminated, insufficiently treated	298.1	297.2
clean to standard (without treatment)	54.0	46.1
treated to standard	55.8	61.6
TOTAL	11,798.7	10,419.8

SPENDING ON ENVIRONMENTAL PROTECTION BY NCSP GROUP COMPANIES

	ACTIVITY	AMOUNT, '000 USD*
PJSC Novorossiysk Commercial Sea Port	R&D on reducing environmental impact	11.3
	Collection and purification of waste water	176.4
	Waste disposal	561.4
	Other activities	481.3
LLC Primorsk Trade Port		540.3
LLC Baltic Stevedoring Company		134.6
JSC Novorossiysk Grain Terminal		246.0
JSC IPP		295.9
JSC NCSP Fleet		55.4
JSC Novoroslesexport		242.8
JSC Novorossiysk Ship Repair Yard		200.1
GROUP TOTAL		2,945.5

* According to management reporting data.

SPONSORSHIP AND PHILANTHROPY

NCSP Group believes that social responsibility is one of the key principles of doing business, and this includes fostering a favorable business climate and promoting the social welfare of its employees and the residents of regions where it has a presence.

NCSP Group provides support and assistance to community organizations and educational, healthcare, cultural and sports institutions. Most programs are aimed at supporting projects in the region and developing infrastructure in the cities of Novorossiysk, Primorsk and Baltiysk. Most of the projects are implemented in cooperation with local authorities.

In January 2014 PJSC NCSP and the Novorossiysk city administration renewed an agreement on the Company's involvement in the social and economic development of the city of Novorossiysk.

In June 2014, 50 new occupants from Ul. Zhukovskogo, Novorossiysk were officially presented with keys to new apartments, built with NCSP Group support under the Program for the relocation of residents from the industrial port region.

The Group's charitable work includes financial support for preschools, secondary and vocational schools, as well as support for specialized children's institutions, and correctional and rehabilitation centers. Children's events held in honor of Marine and River Fleet Workers Day were attended by more than 3,200 children, including residents of the GKOU Special Home for Children with Disabilities and the Yunga orphanage.

Also in 2014, PJSC NCSP participated in the Save and Protect charity marathon to help children with disabilities.

NCSP Group companies annually provide financial support and assistance for veterans of the Second World War, veteran employees, disabled persons and others in need.

NCSP Group companies spent a total of USD2,672,800 on charitable activities and sponsorships in 2014.*

Support for sports and cultural events

NCSP Group is an active supporter of sporting and cultural events, and Group employees traditionally participate in amateur competitions.

NCSP Group supports the development of sailing in the cities of Novorossiysk and Primorsk in order to promote the intellectual and physical development of young people, promote the rising generation's interest in marine professions and strengthen good neighborly relations among nations.

The XVIII Open Spartakiade of Russian ports was held in Murmansk in March 2014. NCSP Group's team was represented in strength sports, futsal, shooting and sled races and won second place overall.

The XXI Russian Dance Sport Tournament was held in Novorossiysk in 2014 with the support of PJSC NCSP.

In May 2014, PJSC NCSP helped organize the Black Sea Tall Ships Regatta 2014, which was held under the auspices of the presidents of Russia, Bulgaria and Romania.

The first annual PJSC NCSP Challenge Cup in men's tug-of-war was held in June 2014 to coincide with the celebration of the Company's founding.

PJSC NCSP has been a general partner of the Morskoi Uzel international festival for young performers for many years.

In July 2014 the Port Primorsk Cup, which has become a traditional, national Russian sailing race, was held in the Gulf of Finland with support from PTP.

In October 2014 PJSC NCSP's team was one of the top three at the Novo Freight Cup 2014 futsal tournament. NCSP Group provided sponsorship support to the Novorossiysk City Football Federation to cover the cost of food and lodging during a tournament with the teams of the cities of Kerch and Sevastopol.

* According to management reporting data.

SELECTED CHARITABLE ACTIVITIES IN 2014

	ACTIVITY	AMOUNT, '000 USD*
PJSC Novorossiysk Commercial Sea Port	Acquisition of vehicles to transport individuals with disabilities in wheelchairs	73.8
	Participation of LLC Catering Expo in Black Sea Tall Ships Regatta 2014	143.2
	Construction of cathedrals and churches	156.2
	Renovations at Novorossiysk Social and Pedagogical College of Krasnodar Territory	78.1
	Acquisition of special equipment and power tools for municipal institutions City Special Vehicles Administration and Urban Improvement and Sanitation	235.0
	Donations for recreation, and repair of sports facilities	224.7
	Morskoi Uzel 2014 international festival	143.2
	Organization of participation in XIII International Forum Sochi-2014	169.2
	Other activities	668.7
LLC Primorsk Trade Port	Charitable aid to Primorsk city administration	31.0
	Donations to orphanages, schools, boarding schools, other organizations	49.1
	Other activities	200.1
LLC Baltic Stevedoring Company		14.3
JSC Novorossiysk Grain Terminal		14.3
JSC IPP		63.3
JSC NCSP Fleet		78.8
JSC Novoroslesexport		153.3
JSC Novorossiysk Ship Repair Yard		110.5
CJSC SoyuzFlot Port		66.0
GROUP TOTAL		2,672.8

CORPORATE GOVERNANCE

LOADING OF GRAIN

THE GRAIN TERMINAL IN NOVOROSSIYSK USES RAPID HANDLING EQUIPMENT WITH CAPACITY OF 800 T/H. A PANAMAX CLASS VESSEL CAN BE LOADED IN 72 HOURS.

GRAIN STORAGE

THE ELEVATOR AT THE NOVOROSSIYSK GRAIN TERMINAL CAN HOLD 120,000 TONNES OF GRAIN IN 10 STEEL SILOS.

UNLOADING OF MOTOR TRANSPORT

NOVOROSSIYSK GRAIN TERMINAL CAN HANDLE UP TO 300 GRAIN TRUCKS PER DAY.

UNLOADING OF FREIGHT CARS

A HOPPER IS A SELF-UNLOADING RAIL-CAR FOR BULK CARGO WITH A CHUTE ON THE UNDERSIDE THROUGH WHICH CARGO IS DUMPED. NOVOROSSIYSK GRAIN TERMINAL RECEIVES UP TO 182 HOPPER CARS PER DAY.

DIRECT TRANSSHIPMENT

BULK CARGO IS ALSO HANDLED WITH UNIVERSAL CRANES BY CLAMSHELL OR IN BIG BAGS.

NSCP GROUP MANAGEMENT

SULTAN BATOV
Chief Executive Officer,
Chairman of Management Board, PJSC NCSP

Sultan Batov was elected CEO of PJSC Novorossiysk Commercial Sea Port in 2014 after serving as general director of Baltic Stevedoring Company from 2002 to 2014.

Previously he was the head of the Consumer Market and Services Department of the Nalchik city administration from 1999.

In 1997 he was appointed director of the Energoperetok Trade House of RAO BES Rossii in Kabardino-Balkaria. From 1995 to 1997 he was director and representative of the Baltgazstroykomplekt and Gazkomplektimpex divisions of RAO Gazprom in the North Caucasus.

In 1992 he was appointed chairman of the Material Resources Committee of Kabardino-Balkaria, and in 1989-1992 he headed the construction department of the Cabinet of Ministers of the Kabardino-Balkar Autonomous Soviet Socialist Republic.

Mr. Batov, born in 1958, graduated from the engineering and technology faculty of Kabardino-Balkar State University in 1980 with a degree in civil engineering.

ANDREY GARNUKHIN
Deputy CEO – Head of the Unified Commercial Directorate,
PJSC NCSP

Andrey Garnukhin was appointed Deputy CEO – Head of the Unified Commercial Directorate of NCSP Group in 2014.

He headed the corporate land bank department of the Evolution and Philanthropy Company of Uralsib Financial Corporation (Moscow) from 2007 to 2013. From 2005 to 2007 he was vice president and director of commerce and expediting at TPS Investment Company (Moscow), and in 2004-2005 he was executive director at Gulfstream Engineering (Moscow). In 2000-2004 he headed the foreign trade department at Alef Group (Moscow); in 1999-2000 he was program director at development company SEATTLE-Moscow; and from 1997 to 1999 he was deputy head of the Russian office of Dr. Willmar Schwabe/DHU.

Mr. Garnukhin, born in 1973, graduated from the Bauman State Technical University in Moscow in 1996 in the field of information technology and systems management. He completed courses in management and marketing at the Bauman State Technical University in 1996; organization, focused on strategy and management of strategic initiatives, programs and projects (TMI Business Systems) in 2010; and business process management (IDS Scheer) in 2011.

IGOR TERENTYEV
Executive Director, PJSC NCSP,
member of Management Board

Igor Terentyev was appointed Executive Director in February 2013, prior to which he was Deputy General Director for infrastructure projects at Transneft Service from 2011. He was deputy head of marine shipping at LLC Rosinteragroservis from 2006 to 2011, deputy director of LLC MMA-Delta from 2004 to 2006, and head of LLC Russky Standart from 2002 to 2004. He headed CJSC STELS in 1999-2000, and was the head of agent services at LLC Seasco and then at state company Rostek-Novorossiysk in 2001-2002.

Mr. Terentyev, born in 1971, graduated from the Novorossiysk Higher Marine Engineering College as a transport radio equipment engineer in 1997.

EDUARD BOROVOK
Director of Legal, PJSC NCSP,
member of Management Board

Eduard Borovok has been Director of Legal – Head of Legal Service at NCSP Group since November 2008. In 2014, the Board of Directors of PJSC NCSP decided to allow him to combine his position with work at other companies. He has been head of Novorossiysk Port Complex Zarubezhneft since 2014 and is also general director of Importpischeprom-Transservice.

From July 2003 to April 2007 he was director of legal at PJSC NCSP and from April 2007 he was director of business support at PJSC NCSP. He headed the legal department at Novorossiysk Shipping Company from 2002 to 2003 and served as a judge in the Federal Arbitration Court for the North Caucasus District from 1997 to 2002.

Mr. Borovok, born in 1963, graduated from Kuban State University in 1986 and earned a degree from the Moscow State Institute for International Relations in 1992.

GERMAN KACHAN
Chief Accountant, PJSC NCSP,
member of Management Board

German Kachan resumed his position as Chief Accountant at PJSC NCSP in February 2014 after holding the position of Chief Financial Officer from 2012 to 2014.

He was Chief Accounted at PJSC NCSP from 2005 to 2012, and financial director at the Sochi branch of TPS Real Estate in 2012.

He was an accountant at PJSC NCSP from 1999 to 2004, when he was promoted to first deputy chief accountant.

Mr. Kachan, born in 1962, graduated from the Minsk Radio Engineering Institute with a major in semiconductors and dielectrics, and Kabardino-Balkaria State University with a major in accounting and auditing.

MANAGEMENT OF NCSP GROUP COMPANIES

ALBERT LIKHOLET
General Director,
JSC Novoroslesexport (NLE)

SERGEY PUTILIN
General Director,
JSC Novorossiysk Grain Terminal (NGT)

SERGEY SHKURAT
General Director,
LLC Primorsk Trade Port (PTP)

ALEXANDER LESNYAK
General Director,
JSC IPP

ALEXANDER BREZHNEV
General Director,
OJSC Novorossiysk Shipyard (NSRZ)

VLADIMIR KAZAKOV
General Director,
CJSC SoyuzFlot Port

YURY PETRISHCHEV
General Director,
JSC NCSP Fleet

ALEXEY PAVLOV
General Director,
LLC Baltic Stevedoring Company (BSC)

CEO

The individual executive body responsible for management of current operations to ensure the profitability and competitiveness of PJSC NCSP, and its financial and economic stability, safeguarding the rights of shareholders and social guarantees of employees.

The CEO acts within the scope of his/her authority and is accountable to the Board of Directors and General Shareholder Meeting.

PJSC NCSP shareholders voted at an Extraordinary General Meeting on August 13, 2014 to dismiss CEO Yury Matvienko early and elected Sultan Batov as the Company's CEO.

Prior to the appointment, Sultan Batov was, from December 2002, general director of Baltic Stevedoring Company, which became part of NCSP Group in 2008. Under his leadership, Baltic Stevedoring Company more than quadrupled cargo turnover from 40,000 TEU in 2006 to 180,000 TEU in 2014.

MANAGEMENT BOARD

The Management Board was comprised of four people as at 31 December 2014:

Sultan Batov, Chief Executive Officer,
Chairman of Management Board, PJSC NCSP

Igor Terentyev, Executive Director, PJSC NCSP

Eduard Kachan, Director of Legal —
Head of NCSP Group Legal Service

German Borovok, Chief Accountant, PJSC NCSP

The Management Board is the collegial executive body responsible for the current management of PJSC NCSP.

It ensures the implementation of business plans and investment programs, decides financial and legal issues, is responsible for economic and information security, preliminarily considers major innovation and investment projects, and coordinates cooperation with subsidiaries and affiliates.

Meetings of the Management Board are usually held once a week, in person or in absentia; the chairman of the Management Board is the CEO of PJSC NCSP.

The Management Board acts in accordance with current legislation, the Charter of PJSC NCSP and the Regulation on the Management Board.

PJSC NCSP Management Board in 2014

Elected to PJSC NCSP Management Board:

- Alexey Knyazev, Chief Financial Officer (PJSC NCSP Board of Directors decision dated February 7, 2014)
- Sultan Batov, Chief Executive Officer (PJSC NCSP Board of Directors decision dated October 1, 2014)

Dismissed early due to change in place of employment:

- CEO Yury Matvienko, CFO Alexey Knyazev and Deputy Technical Director for development of Sheskharis Oil Terminal Alexander Ryzhkov (PJSC NCSP Board of Directors decision dated October 1, 2014)

REMUNERATION PAID TO MEMBERS OF MANAGEMENT BOARD IN 2014 ('000 USD)

Salary	1,254.4
Additional compensation	410.3
Compensation for unused vacation	116.3
Other	0.5
TOTAL:	**1,781.5**

Share ownership and remuneration

Members of PJSC NCSP's Management Board do not own shares in the company.

NCSP Group companies did not extend credit (loans) to members of the PJSC NCSP Management Board in the reporting year.

Remuneration to key management personnel totaled USD13,854,000, including severance pay of USD1,454,000, and USD16,678,000, including severance pay of USD1,446,000, in years ended 31 December 2014 and 2013, respectively, in the form of short-term payments and social security contributions.

Key management personnel of the NCSP Group includes the Chief Executive Officer, other bodies and their deputies, members of the collective executive body, members of the Board of Directors or other collective management body, as well as other officials with authority and responsibilities in planning, management and control over the company's operations.

NCSP GROUP
CORPORATE GOVERNANCE SYSTEM

NCSP Group's corporate governance system complies with Russian legislation and international best practices in corporate governance, and adheres to the principles of openness and transparency. The Company complies with the requirements of the UK Listing Authority/Financial Conduct Authority (UKLA/FCA) for issuers of Global Depositary Receipts (GDR).

Key principles of corporate governance:

- Respect for the interests and protection of the rights of all shareholders;
- Protection of the rights and legal interests of stakeholders in corporate relations;
- Consistent and collective decision making;
- Information openness and transparency.

Company priorities in corporate governance:

- Growing the Company's value by improving the corporate governance system and organizational structure;
- Improving the human resources management and motivation system;
- Open and accessible information about the Group for interested parties in the service of improved market perception.

Company practices in the area of corporate governance:

- Improving the system of internal control;
- Introducing best practices in the area of corporate governance;
- Constructive cooperation with business partners and investors.

The main document regulating the mechanisms of corporate governance at PJSC NCSP is the company's Charter, written in accordance with the requirements of Russian legislation. Amendments to the Charter fall under the authority of the General Shareholder Meeting, with the exception of amendments pertaining to the creation of branches, opening of offices and their liquidation, which fall under the authority of the Board of Directors.

The Board of Directors approved a Corporate Governance Code in 2007 that takes into account the recommendations of the Organization for Economic Cooperation and Development. The requirements of the Code do not apply to PJSC NCSP subsidiaries, which voluntarily comply with the Corporate Governance Code and disclose information about this in their annual reports.

On April 10, 2014, the Central Bank of Russia approved a new Corporate Governance Code recommended for joint-stock companies that incorporates best world practices in this area. In addition, a new Central Bank Regulation on Disclosure of Information by Issuers of Securities went into effect in March 2015. These regulations are aimed at improving corporate governance at Russian companies and expand their obligations in regard to shareholder rights, the work of the Board of Directors and corporate secretary, management remuneration, risk management and internal control.

NCSP Group is assessing the provisions of the Corporate Governance Code and other documents of the Company and subsidiaries in order to bring them in line with changes in legislation and current trends in corporate governance.

PJSC NCSP's Corporate Governance Code, internal documents regulating management and control bodies and information about the Company's information policy are available on the NCSP Group website at: http://www.nmtp.info/holding/investors/info_disclosure/uch_documents/.

The General Shareholder Meeting, the Board of Directors, the Chief Executive Officer and the collective executive body, the Management Board, are the foundation of PJSC NCSP's corporate governance system. PJSC NCSP subsidiaries are managed by appointing representatives of PJSC NCSP and its shareholders to the boards of directors of these companies.

The Internal Audit and Control Service, Internal Audit Department, as well as the Audit Commission are responsible for internal control and audit at NCSP Group and PJSC NCSP.

The Russian Federation (RF) has had a special right to participate in the management of PJSC NCSP through a "golden share" since April 2011. This right is exercised by the Russian government appointing a representative of the RF to both the Board of Directors and the Audit Commission. The RF representative on the Board of Directors has the right to veto decisions by the General Shareholder Meeting concerning amendments to the Charter or approval of a new version of the Charter, the reorganization or liquidation of the Company, changes to charter capital, and the execution of major transactions and interested-party transactions. The Federal Property Agency of Russia (Rosimuschestvo) owns 20% of shares in PJSC NCSP.

General Shareholder Meeting

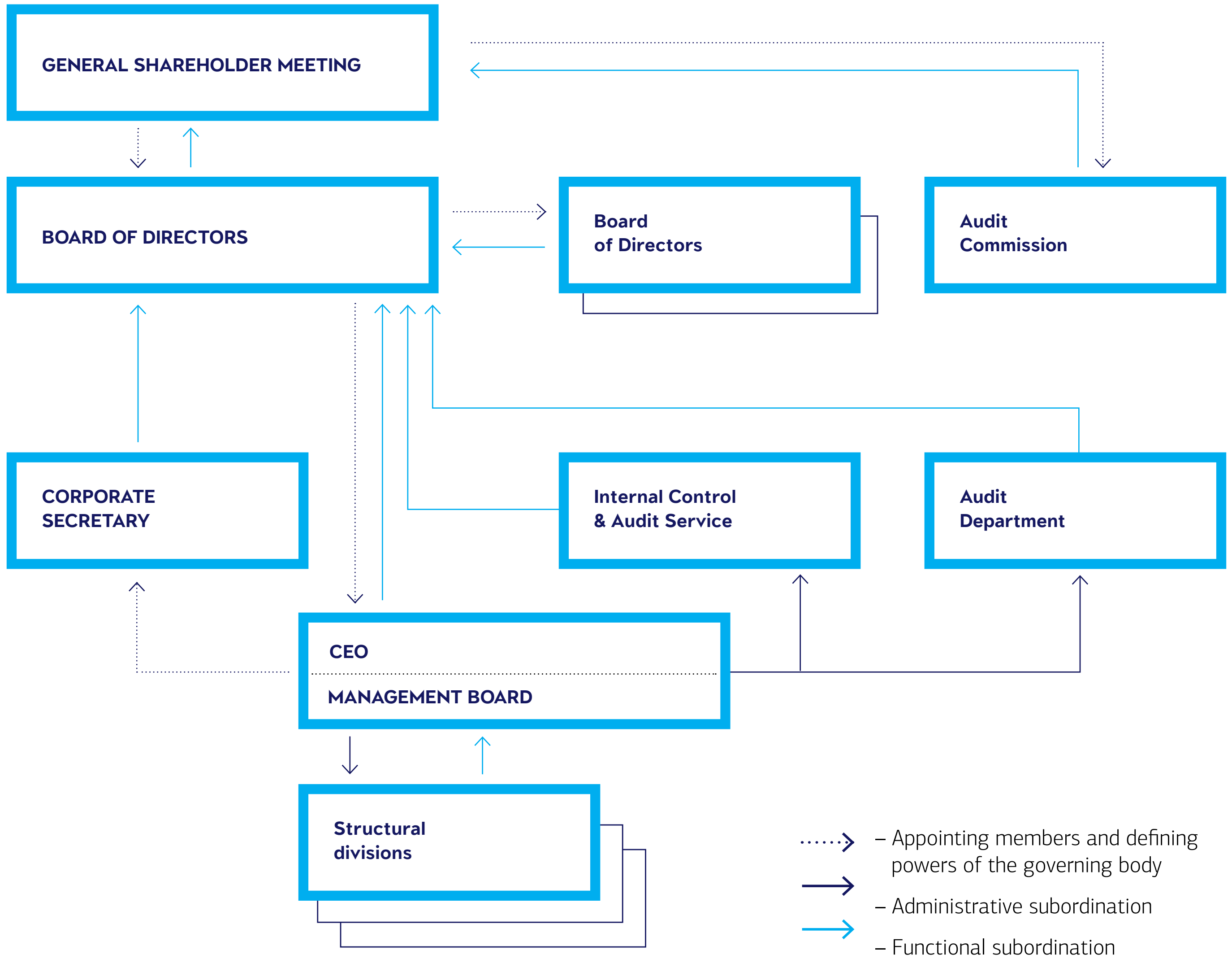
Two General Shareholder Meetings were held in 2014.

The quorum at the annual General Shareholder Meeting was 87.64% of the Company's outstanding voting shares.

The following decisions were made at the Annual General Meeting of PJSC NCSP shareholders that was held on June 27, 2014:

- Approval of PJSC NCSP annual financial report;
- Approval of annual financial statements, including PJSC NCSP financial results (unconsolidated);
- Allocation of USD13,332.6 thousand for dividends and payment of dividends for 2013 in cash in the amount of USD0.00069 per share;
- Set July 9, 2014 as date for determining persons with right to receive dividends;
- Election of members of the Board of Directors;
- Election of members of the Audit Commission;

STRUCTURE OF PJSC NCSP MANAGEMENT AND CONTROL BODIES



- Confirmation of ZAO Deloitte & Touche CIS as auditor for 2014;
- Confirmation of amendments and additions to PJSC NCSP Charter;
- Confirmation of new version of Regulation on General Shareholder Meeting of PJSC NCSP;
- Payment of annual remuneration to nongovernment members of the Board of Directors in the amount of USD1,000, and to nongovernment members of the Audit Commission in the amount of USD0.3.

The quorum at the Extraordinary General Meeting of PJSC NCSP shareholders that was held on August 13, 2014 was 82.28% of the Company's outstanding voting shares. At this meeting, shareholders made decisions on the early dismissal of the CEO and the election of a new PJSC NCSP CEO.

PJSC NCSP BOARD OF DIRECTORS

PJSC NCSP's Board of Directors consists of seven directors. The Russian Federation, under a federal government order, exercises its special right to participate in the management of PJSC NCSP through a "golden share." The seat of the RF representative is not taken into account at elections of board directors, and only six PJSC NCSP board directors are subject to election at the General Shareholder Meeting. The government representative on the board is currently Deputy Transport Minister Viktor Olersky.

The Board of Directors has four independent directors, according to a Board of Directors decision dated August 6, 2014, based on the independence criteria specified in the Corporate Conduct Code of PJSC NCSP:

- Maksim Grishanin – Chairman
- Mikhail Barkov
- Alexander Vinokurov
- Sergey Kireev

MAKSIM GRISHANIN
Chairman

Mr. Grishanin is Senior Vice President of Transneft, a position he was promoted to in 2012 after serving as vice president since 2011.

He was director of corporate financing at OJSC Sukhoi Aviation Holding Company in 2010, and senior vice president for economics and finance at CJSC Sukhoi Civil Aircraft Company from 2006 to 2010.

Mr. Grishanin, born in 1968, graduated from the University of Kiel in Germany in 1995 with a degree as an economist.

SERGEY KIREEV
Director

Mr. Kireev has been CEO of Transneft Terminal since 2014 and and has also held the position of CEO of Transneft Service since 2007.

He serves on the board of directors of Soyuzflot Port.

Mr. Kireev, born in 1960, graduated from the Krasnodar State Institute of Physical Culture in 1988.

VIKTOR OLERSKY
Director

Mr. Olersky has been Deputy Minister of Transport of Russia since 2009.

From 2001 to 2009 he was chairman of the board of directors of Volga River Shipping and Northwest River Shipping.

Mr. Olersky, born in 1965, graduated from the S.O. Makarov Higher Marine Engineering Academy in 1987.

MIKHAIL BARKOV
Director

Mr. Barkov has been Vice President of Transneft since 2007.

He was deputy CEO of Zarubezhneft from 2004 to 2007.

He worked for many years in various positions at foreign economic organizations and headed the legal departments at a number of ministries and Russia's trade mission in the United States.

Mr. Barkov, born in 1951, graduated from Moscow State University in 1978 with a degree in law and also completed studies at the Order of International Friendship Academy of Foreign Trade.

VITALY SERGEICHUK
Director

Mr. Sergeichuk has headed the department for property management and privatization of major organizations at the Federal Property Agency since July 2013. He entered government service in August 2012 in the position of deputy head of this department.

From 2008 to 2012 he held senior positions at VTB Capital.

Mr. Sergeichuk, born in 1984, graduated with honors from the economics department of Moscow State University in 2005.

ALEXANDER VINOKUROV
Director

Since December 2014 Mr. Vinokurov has been the President of A1 Investment Company. From 2012 to 2014 he was President of Summa Group.

From 2007 to 2012 he worked at the Russian office of leading private equity firm TPG Capital, becoming vice president and co-head in 2010. He led the working group to develop TPG Eurasia's investment and development strategy in the CIS and Eastern Europe.

Mr. Vinokurov, born in 1982, graduated from Cambridge University (UK) and holds bachelor and masters degrees in economics.

MARAT SHAYDAEV
Director

Mr. Shaydaev is on the Board of the Far East Shipping Company. He was First Deputy CEO of PJSC NCSP from 2011 to 2013.

He held management positions at Summa Capital and Summa Group from 2009 to 2012. He was general director of CJSC Trans-Flot in 2006-2009 and general director of LLC Trans-Flot in 2005-2006.

Mr. Shaydaev, born in 1968, graduated from the Soviet Defense Ministry's Military Krasnoznamenny Institute in 1990 with a degree in law, and the Russian Presidential Academy of Civil Service in 2007. He previously worked at justice institutions.

CHANGES TO THE BOARD OF DIRECTORS IN 2014

Sergey Kireev was elected to PJSC NCSP's Board of Directors by decision of the General Shareholder Meeting of June 27, 2014.

Alexander Tikhonov served on PJSC NCSP's Board of Directors until June 27, 2014.

SHARE OWNERSHIP AND REMUNERATION

Members of PJSC NCSP's Board of Directors do not own shares in the company.

Members of PJSC NCSP's Board of Directors who are not government employees were paid remuneration of USD1,041 each for 2014.

NCSP Group companies did not extend credit (loans) to members of PJSC NCSP's Board of Directors in the reporting year.

BOARD OF DIRECTORS REPORT

In 2014, the Board of Directors focused primarily on issues of corporate governance, and financial and strategic planning.

Amendments were drafted to the Charter of PJSC NCSP that specify the Company's obligations in regard to the conditions and procedure for payment of dividends; obligations and procedures for informing shareholders when preparing and holding general shareholder meetings; the procedure for determining the date and list of persons entitled to receive dividends; and issues under the authority of the Board of Directors. These amendments were included in the agenda and approved at the annual General Shareholder Meeting on June 27, 2014.

Vigorous efforts were made in 2014 to improve the system of internal control. The Board of Directors approved the Regulation on the Internal Control and Audit Service on August 6, 2014. The service is charged with providing members of the Board of Directors and the Audit Committee with information about the results of independent assessments of business processes and control that is needed to manage risks and guarantee that the Company reaches set goals.

In December 2014, the Board of Directors approved changes to the Regulation on the Audit Committee of PJSC NCSP, expanding the committee's authority in issues concerning the assessment of the effectiveness of the internal control system, risk management system and corporate governance system, as well as the procedure for cooperating with and managing the work of the Internal Control and Audit Service, in particular preparation of recommendations on the appointment of the head of the service and approval of the plan for annual audits.

On December 15, 2014, the Board of Directors approved a Regulation on Procurement of Goods and Services, which provides for measures aimed at reducing per-unit expenditures on the acquisition of goods and services. When conducting tenders for procurement of goods and services, the main criterion is reducing the cost by at least 10% compared to other competitive bids.

On January 15, 2015, the Board of Directors approved a Long-term Development Program for NCSP Group to 2020. The program was developed in compliance with Russian government decisions made on January 30, 2014 on the preparation of long-term development programs for strategic companies. Along with the program, the board approved a Regulation on Auditing the Implementation of the Long-term Development Program of NCSP Group, which will help to assess the effectiveness of its execution.

As part of the implementation of the Long-term Development Program of NCSP Group to 2020, key performance indicators have been approved for the general directors of NCSP Group companies and PJSC NCSP executives. This system involves linking management compensation to company performance, including operating and financial results. The amount of such compensation is determined according to the Regulation on Executive Employee Incentives and can reach the equivalent of 12 of the employee's monthly salaries for the year.

The Board of Directors also considered other issues under its authority in 2014, including the appointment of executives at PJSC NCSP and the approval of interested-party transactions.

The Board of Directors considered a total of 121 issues in 2014 and held 11 meetings, including 9 in absentia. The decisions of the Board of Directors can be reviewed online on the Company's website at: http://www.nmtp.info/holding/investors/info_disclosure/basic_fact/

REPORT ON CORPORATE GOVERNANCE CODE COMPLIANCE

The Board of Directors and Management Board of PJSC NCSP operate according to the principles of corporate governance set out in the Corporate Governance Code that the Central Bank of Russia recommended for Russian companies on March 21, 2014. In 2007, PJSC NCSP's Board of Directors approved the Company's own Corporate Governance Code, which regulates all areas of relations with shareholders and investors.

Management bodies perform their duties primarily adhering to the principles recommended in the Corporate Governance Code, chief among them being strict protection of the rights of shareholders and investors. The Board of Directors is committed to respecting and safeguarding the rights of shareholders, who have the right to participate in the management of the Company by taking part in deciding the most important issues concerning the Company's business at the General Shareholder Meeting. Shareholders are entitled to receive regular and timely information about the Company's business.

A Regulation on Information Policy was adopted in 2007. In compliance with the Federal Law On the Securities Market and regulations of the Bank of Russia, the Company regularly discloses quarterly issuer reports, annual financial reports, lists of affiliated parties, financial statements and announcements of material facts.

Key information about the Company is promptly posted:

- On the Company website at: http://nmtp.info/ncsp/
- On the Interfax website at: http://www.e-disclosure.ru/SectionPublication.aspx

Shareholders are accorded the right to participate in the distribution of profits by making decisions on the distribution of profits at the annual General Shareholder Meeting. The Company provides shareholders with the necessary information, and publishes decisions of the shareholder meeting about payment of dividends and their amount. The responsibilities of corporate secretary at the Company are carried out by a designated qualified individual.

Improving the quality of corporate governance is a top priority at PJSC NCSP. The Company is working continually to improve corporate standards and practices.

In order to carry out the recommendations of the Bank of Russia's Corporate Governance Code, the Company plans to take priority steps to improve corporate governance:

- Create a section on the Company's website on Materials for Forthcoming General Shareholder Meeting, in which it will post all information (materials) provided to shareholders in preparation for the General Shareholder Meeting according to a list approved by the Board of Directors;
- Provide information in the agenda for the General Shareholder Meeting about who proposed each issue on the agenda and who nominated the candidates for election to company management bodies;
- Post the minutes of the General Shareholder Meeting on the company website;
- Propose the General Shareholder Meeting approve additions to PJSC NCSP's Charter to specify that, in regard to subsidiaries, the Board of Directors can:
  - Nominate candidates for executive bodies and candidates for boards of directors;
  - Determine development strategy and assess the results of their business;
- Post the draft annual financial report tentatively approved by the Board of Directors on the company website;
- Revise the Company's Corporate Governance Code;
- Provide information in the annual financial report about loans (credit) extended by the Company (legal entities from the group of companies to which the Company belongs) to members of the Board of Directors and executive bodies of the Company, and information about the compliance of such loans (credit) with market conditions;
- Develop and adopt a business ethics/corporate conduct code defining the principles of ethical business conduct for company employees.

The Company is assessing possible further measures to improve corporate governance in accordance with the Corporate Governance Code recommended by the Bank of Russia.

MAIN CHANGES MADE TO COMPANY CHARTER IN 2014

Conditions and procedure of dividend payments:

- Procedure defined for dividend payments in cash;
- Time limits set for dividend payments: within 10 working days for nominal holders and trust managers who are security market professionals, and for other groups of shareholders within 25 working days of determining persons entitled to receive dividends;
- Date for determining persons entitled to receive dividends must be set at between 10 and 20 days from the date of the general meeting decision on dividend payments.

Procedure for informing shareholders when preparing and holding general shareholder meetings

- Time limit for reporting results of voting at general shareholder meeting reduced to no more than 4 working days after it is held; stated that adopted decisions can be announced at the general shareholder meeting at which the voting was held;
- Time period for notification that annual general shareholder meeting will be held increased to at least 30 days prior to the date of the meeting;
- Information about the holding of general shareholder meetings is posted online at http://nmtp.info;
- Procedure defined for informing nominal holders of company shares in electronic form;
- Time limit set for disclosing information about the date for compiling the list of persons eligible to participate in general shareholder meeting;
- Time period changed (increased) for convening an extraordinary general meeting of shareholders at the request of the Company's Audit Commission, the Company's auditor or shareholders who own at least 10% of voting shares in the Company;
- Time period changed for convening an extraordinary general meeting of shareholders by decision of the Board of Directors for election of members of the Company's Board of Directors.

Changes in authority of the Board of Directors

- Date for determining persons entitled to dividends put under authority of Board of Directors;
- Responsibility for decisions to subject members of the Management Board to disciplinary action or pecuniary accountability in regard to other positions they hold at the Company delegated to CEO in accordance with legislation.

BOARD COMMITTEES

In order to safeguard the rights and interests of shareholders, as well as to enhance the effectiveness of PJSC NCSP's Board of Directors, both standing committees for the term of the Board of Directors and temporary committees to tackle specific issues can be formed. The Board of Directors approves the regulations on committees and amends them as needed. The Board of Directors currently has two standing committees, the Audit Committee and the Human Resources and Remuneration Committee. Committee meetings are convened as needed.

AUDIT COMMITTEE

- **Analyzes financial statements, conducts external and internal audits and submits recommendations to the Board of Directors**
- **Monitors:**
  - **quality and completeness of financial statements;**
  - **qualifications and independence of external auditor;**
  - **activities of Internal Control Service**
- **Works closely with external auditor, Audit Commission and Internal Control Service**

HR AND REMUNERATION COMMITTEE

- **Determines criteria for selection of candidates to the Board of Directors, Management Board and position of CEO**
- **Makes recommendations on specific candidates**
- **Develops the terms of contracts with the CEO and members of the Management Board**
- **Evaluates the performance of the CEO and members of the Management Board**
- **Develops corporate policy on remuneration for company management**

COMMITTEE MEMBERS IN 2014

Jan 1, 2014 to June 27, 2014	June 27, 2014 to Dec 31, 2014
AUDIT COMMITTEE	
Maksim Grishanin (Chairman)	Sergey Kireev (Chairman)
Ziyavudin Magomedov	Alexander Vinokurov
Alexander Vinokurov	Maksim Grishanin Maksim
	Marat Shaydaev
HR AND REMUNERATION COMMITTEE	
Alexander Vinokurov (Chairman)	Alexander Vinokurov (Chairman)
Maksim Grishanin	Mikhail Barkov
Mikhail Barkov	Vitaly Sergeichuk
	Marat Shaydaev

In 2014 there were three meetings of the Audit Committee and three meetings of the HR and Remuneration Committee.

CORPORATE SECRETARY OF PJSC NCSP

The Corporate Secretary plays an important role in ensuring that the Company complies with procedural requirements that guarantee the rights and legal interests of shareholders, and in introducing and implementing corporate governance principles that are consistent with best practices.

In order to ensure that the Corporate Secretary can perform his/her duties effectively, the Company has established an administrative office for the Corporate Secretary.

The position of Corporate Secretary at PJSC NCSP has been held since February 2009 by Vladimir Matveev.

The Corporate Secretary performs his/her duties on the basis of the Regulation on the Corporate Secretary that was approved by PJSC NCSP's CEO on September 26, 2011. The main duties of the Corporate Secretary include:

- Organizing the efficient work of the Board of Directors and Board committees;
- Liaison between the Board of Directors and management;
- Coordinate the work of the management bodies of PJSC NCSP and Group companies;
- Oversee execution of decisions made by the Board of Directors;
- Manage the processes of directors' participation in board meetings;
- Oversee information disclosure.

PARTICIPATION OF DIRECTORS IN MEETINGS OF THE BOARD OF DIRECTORS

Date of meeting

Board directors	Year elected	Feb 4, 2014	Feb 7, 2014	Feb 28, 2014	April 18, 2014	April 25, 2014	July 3, 2014	Aug 6, 2014	Oct 1, 2014	Oct 24, 2014	Nov 20, 2014	Dec 15, 2014	Number of meetings attended
Maksim Grishanin	2012	●	●	◉	●	●	●	◉	●	●	●	●	11
Mikhail Barkov	2012	●	●	◉	●	●	●	–	–	●	●	●	9
Alexander Vinokurov	2012	●	●	◉	●	●	●	◉	●	●	●	●	11
Viktor Olersky	2010	–	–	–	●	●	–	◉	●	●	–	●	6
Vitaly Sergeichuk	2013	●	●	◉	●	●	●	◉	●	●	●	●	11
Marat Shaydaev	2012	●	●	◉	●	●	●	◉	●	●	●	●	11
Alexander Tikhonov	2013	●	●	◉	–	●	Not elected to Board of Directors elected at PJSC NCSP General Shareholder Meeting on June 27, 2014						4
Sergey Kireev	2014	Elected to Board of Directors at PJSC NCSP General Shareholder Meeting on June 27, 2014					●	◉	●	●	●	●	6
Number of board directors in attendance		6	6	6	6	7	6	6	6	7	6	7	

● - Meetings held in person
◉ - Meetings held by circulation

Vladimir Matveev

Mr. Matveev has been the Corporate Secretary of PJSC NCSP since 2009.

He has been working at PJSC NCSP since 1996, first as a supervisor in the property department until 2006 and then as head of this department from 2006 to 2009.

Mr. Matveev, born in 1948, graduated from the Krasnodar Polytechnic Institute in 1972 with a degree in mechanical engineering. In 1992 he earned a qualification certificate of the Federal Financial Market Service of 1.0 series. He earned a second degree, in economic and social planning, from Kuban State University in 1993. He also attended the People's University of Legal Studies, and the Advanced Management Institute of the National Economy Academy of the Russian government.

In 2007-2009 he upgraded his qualifications at the Higher School of Economics with a course on Information Disclosure in the Corporate Governance System.

He does not own shares in PJSC NCSP or shares in its subsidiaries and affiliates, and he does not have family ties with other individuals who serve in the management bodies and/or financial and business control bodies of PJSC NCSP.

INTERNAL CONTROL SYSTEM

Internal control is an integral part of NCSP Group's corporate governance system. The main structural units of the internal control system are the Internal Control and Audit Service and the Audit Commission of PJSC NCSP.

AUDIT COMMISSION

The Audit Commission monitors the financial and business activities of PJSC NCSP, its divisions, services, branches and representative offices. It reports to the General Shareholder Meeting of PJSC NCSP, and its five members are elected by the General Shareholder Meeting for a term until the next annual general meeting.

Audit Commission members who are not government employees were paid remuneration in the amount of USD300 each for 2014.

INTERNAL CONTROL AND AUDIT SERVICE

The Internal Control and Audit Service is a division of PJSC NCSP that is controlled by and reports to the Board of Directors of PJSC NCSP and the board's Audit Committee. The director of the Internal Control and Audit Service is appointed by order of PJSC NCSP's CEO according to the decision of PJSC NCSP's Board of Directors.

The Board of Directors approved the Regulation on the Internal Control and Audit Service on August 6, 2014. This division's main responsibilities are to assess the effectiveness of:

- The internal control system;
- The risk management system;
- The corporate governance system.

A Regulation on the Internal Audit of PJSC NCSP has been drafted in order to carry out these responsibilities. The document will be submitted for approval to the Board of Directors in 2015 after it is approved by the Audit Committee.

The service is charged with providing members of the Board of Directors and the Audit Committee with information about the results of independent assessments of business processes and control that is needed to manage risks and guarantee that the Company reaches set goals.

In order to improve the Company's risk management system, the Internal Control and Audit Service has prepared risk management procedures for approval..

Remuneration paid to members of internal control bodies in 2014 ('000 USD)

Salary	728.1
Bonuses	303.1
Compensation for unused vacation	1.3
Other	1.4
TOTAL:	**1,033.9**

AUDIT COMMISSION MEMBERS AS OF DECEMBER 31, 2014

Yekaterina Vlasova	Head of the representative office of Baronetta Investments Limited
Tatyana Nesmeyanova	Head of Finance and Economics at Transneft Service
Margarita Russkikh	General Director of Transneft Finance, Director of Festina Alliance LTD (B.V.I.)
Irina Timofeyeva	Deputy head of the representative office of Baronetta Investments Limited
Veronika Makeyeva	Representative of Russian Federation, appointed by government of RF by right of 'golden share'

EXTERNAL AUDIT

PJSC NCSP invites an independent, qualified auditor to ensure the objectivity and confirm the accuracy of annual accounts and financial statements

NCSP held a competitive process in 2012 for the audit of its financial statements, as a result of which ZAO Deloitte & Touche CIS was selected as the winner. This company has been PJSC NCSP's independent auditor since 2007 (for statements prepared to IFRS). In 2013 and 2014, the proposed price increase for the services of Deloitte & Touche CIS did not exceed inflation, which served as grounds for the PJSC NCSP Board of Directors to recommend that the General Shareholder Meeting elect this firm as the Company's auditor. The Company believes that this approach – initial determination of the price of services on a competitive basis with subsequent changes in an amount not exceeding inflation – is sufficient to ensure transparency in the selection of the external auditor.

PJSC NCSP made remuneration payments and advance payments to Deloitte & Touche Regional Consulting Services Limited (Russia) in 2014:

- For audit of annual statements for 2013 to IFRS and RAS (not including previously paid advance);
- For review of interim statements for the first half of 2014 to IFRS;
- For audit of annual statements for 2014 to IFRS and RAS (advance).

Overall payments totaled USD703,600 in 2014.

NCSP GROUP CORPORATE STRUCTURE

NOVOROSSIYSK COMMERCIAL SEA PORT

- NOVOROSSIYSK GRAIN TERMINAL 100.0%
- NOVOROSLESEXPORT 91.38%
- IPP 99.99%
- NOVOROSSIYSK SHIPYARD 65.18%
- BALTIC STEVEDORING COMPANY 100.0%
- FLEET OF NCSP 95.19%
- PRIMORSK TRADE PORT 100.0%
  - SOYUZFLOT PORT 99.99%
- NOVOROSSIYK FUEL OIL TERMINAL 50.0%

SHAREHOLDER EQUITY AND SECURITIES

SHARES AND GDR

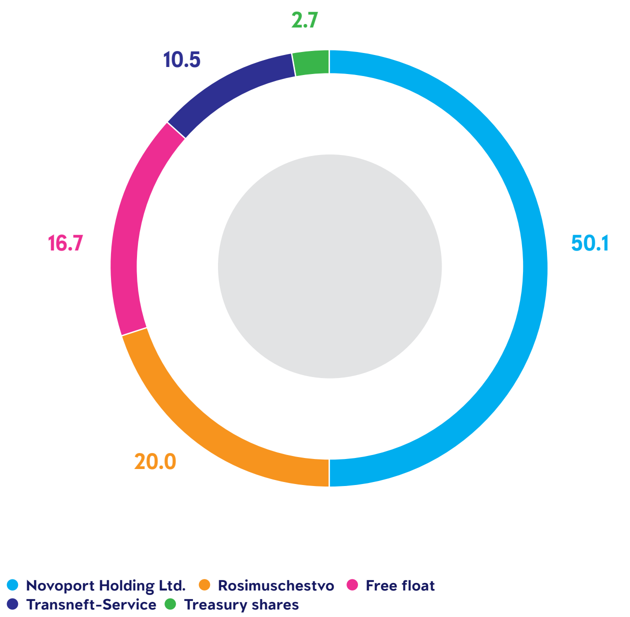
PJSC NCSP's charter capital is 192,598,154 rubles, divided into 19,259,815,400 shares with par value of 0.01 rubles. PJSC NCSP carried out an IPO on the London Stock Exchange and Russia's RTS (Moscow Exchange as of December 2011) in November 2007, placing 19.38% of its equity in the form of common shares and Global Depositary Receipts (GDR).

PJSC NCSP has treasury shares equivalent to 2.68% of equity that were purchased under a mandatory offer as part of the deal to acquire LLC PTP in 2011. These shares were converted into GDR on the basis of a decision made by the Board of Directors on February 17, 2012.

PJSC NCSP's largest shareholders as of December 31, 2014 were Novoport Holding Ltd. with 50.1%, the Federal Property Management Agency (Rosimuschestvo) with 20%, and Transnett-Service with 10.5%. The other 16.7% of shares are held by minority shareholders, which includes shares traded in the form of GDR.

As of December 31, 2014, 1,573,776,375 PJSC NCSP shares, amounting to 8.17% of outstanding shares, were traded in the form of GDR.

PJSC NCSP SHAREHOLDER STRUCTURE AS OF DECEMBER 31, 2014



PJSC NCSP COMMON SHARES

Type	Common registered shares
State registration number	1-01-30251-E
ISIN code	RU0009084446
Exchange/Listing	FB MMVB ZAO /Second level
Ticker	NMTP

GLOBAL DEPOSITARY RECEIPTS (GDR) ON PJSC NCSP SHARES

Issue limit	25% of share capital	
Share to GDR ratio	75	
Type	Regulation S	Rule 144 A
Exchange	London Stock Exchange	OTC Board
Ticker	NCSP	NVSKL
CUSIP	67011U208	67011U109
ISIN	US67011U2087	US67011U1097
SEDOL	B283BT30	B284CR8
Common code	32 417 710	32 418 384

DIVIDEND HISTORY

Year for which dividends declared	Amount of declared dividends, RUB	Amount of declared dividends, USD
2013	449,986,327.00	13,332,612.18
2012	454,916,839.75	14,304,256.49
2011	452,605,661.90	13,893,581.95
2010	431,091,964.79	15,354,574.57
2009	2,407,476,925.00	77,927,510.54

PJSC NCSP EXCHANGE TRADED BONDS

Issue	BO-02	BO-01	BO-03	BO-04	BO-05
Issue amount	4 bln rubles	5 bln rubles	4 bln rubles	3 bln rubles	2 bln rubles
Coupon rate	9% annually	1st coupon ahead of placement or in bidding, remainder according to issue documents			
Coupon period	Semiannual				
Coupon accrual	From 02.05.12				
Maturity date	29.04.15				
Issue status	Placed	Not placed			
State registration number	4B02-02-30251-E	4B02-01-30251-E	4B02-03-30251-E	4B02-04-30251-E	4B02-05-30251-E

BONDS

PJSC NCSP's Board of Directors on March 4, 2012 approved a ruble bond program consisting of five series of exchange traded bonds. Bond series BO-01, BO-02, BO-03, BO-04 and BO-05 amounted to respectively 5 billion rubles, 4 billion rubles, 4 billion rubles, 3 billion rubles and 2 billion rubles. The coordinator of the program was VTB Capital. The Group completed the registration of the program on April 3, 2012 and the bonds were included in the listing of securities admitted to trading on the Moscow Exchange. At the time this report was compiled, only BO-02 series bonds had been placed and were outstanding.

DIVIDEND POLICY

The procedure for determining the amount of dividends paid to PJSC NCSP shareholders and their payment is governed by the Regulation on Dividend Policy approved by the Board of Directors in 2007. The dividend policy takes into account the need to support the Company's liquidity, capitalization and investment appeal in the interests of all shareholders.

The decision on the amount of dividends paid is made by the General Shareholder Meeting on the recommendation of the Board of Directors. When deciding on the share of profit to be set aside for dividends, the Board of Directors considers a number of factors, including:

- The actual amount of net profit earned by PJSC NCSP;
- The need to support PJSC NCSP's strategic development priorities, including the implementation of the investment program;
- The need to fund PJSC NCSP's contingency fund;
- PJSC NCSP's profitability, including return on assets and return on equity;
- PJSC NCSP's solvency and financial strength indicators, including current liquidity ratios.

RISK MANAGEMENT

The management of NCSP Group pursues a focused policy to minimize the impact of external factors on the Company's business, enhancing its operational and technical potential, expanding its presence on the stevedoring services market and strengthening relationships with counterparties and suppliers of related services.

One of the key principles of NCSP Group's risk management system is the sharing of responsibilities in the area of risk management and internal control among the Board of Directors, Audit Committee, Audit Commission, Chief Executive Officer and executive management bodies.

The long-term development program approved by PJSC NCSP's Board of Directors in January 2015 defines the main risks facing the Company, their probability and degree of impact, as well as possible actions to minimize risks.

INSURANCE OF RISKS AND LIABILITY

NCSP Group regularly insures a broad range of company risks and liabilities, including property, losses from disruptions in operations, civil liability of organizations that operate hazardous facilities, as well as voluntary health insurance for employees and group accident insurance.

№	RISKS	CONSEQUENCES FOR PJSC NCSP
1.	**STRATEGIC RISKS**	
1.1.	Changes in global situation on commodity markets.	Decrease in Russian exports, including oil, refined oil products, nonferrous and ferrous metal products, grain and other products that constitute the bulk of NCSP Group's cargo turnover.
1.2.	Changes in foreign trade regulation in Russia that significantly affect trade turnover.	
1.3.	Changes in international and national regulatory regime for shipping in sea straits	Significant change in NCSP Group's performance and prospects for growth.
1.4.	Construction of new cargo transfer facilities.	Increased competition among seaports in NCSP Group's region of operations.
1.5.	Development of offshore transshipment.	Decrease in transshipment volumes, greater competition.
1.6.	Significant expansion of operations and growth of cargo turnover of NCSP Group.	Need for substantial capital investment that might be challenging due to obligations assumed under credit and other financial agreements.
		Greater environmental impact.
1.7.	Lack of decisions by port authorities and government agencies on issues concerning construction of new berths, dredging and other hydraulic engineering work that is beyond the control of NCSP Group; deterioration or lack of improvement and development of access railway lines, roads and pipeline infrastructure.	Constraints on ability to expand operations and increase cargo turnover or maintain NCSP Group's competitiveness.
1.8.	Possible stricter legislative requirements for protection of environment, shoreline; growth of mandatory environmental payments.	Change in cargo mix, decrease in transshipment volumes; growth of financial expenses on environment.
2.	**OPERATING RISKS**	
2.1.	Concentration of substantial cargo volume within context of cooperation with a limited number of shipping lines or exporters/importers.	Significant restriction of ability to diversify cargo turnover and regulate price policy.
2.2.	Disruptions in operation of Russian railways, roads and pipeline infrastructure.	Slowdown and restriction of PJSC NCSP cargo turnover.
2.3.	Unfavorable weather conditions, including storms, that restrict the ability to conduct loading and unloading operations at ports.	
2.4.	Disruptions in operation of information support systems, including process systems, as well as recordkeeping and document flow systems of government services and at Group companies.	

№	RISKS	CONSEQUENCES FOR PJSC NCSP
2.5.	Changes in the tariff policy of companies in the transport sector and/or introduction of new regulations in this area, particularly changes in tariffs and regulations for Russian Railways.	Need to adjust rates and reassess anticipated business results.
2.6.	Tightening of Russian government tariff policy for the port; change in lease rates for hydraulic structures and land leased from Russian Federation.	Deterioration of PJSC NCSP financial results, constraint on own funds for investment in development.
2.7.	Increase in the cost of fuel and energy resources.	Need to adjust rates; growth of operating costs.
2.8.	Changes in the situation on the global shipping market.	Change in business results and development prospects of PJSC NCSP; change in level of competitiveness.
2.9.	Seasonal fluctuations in demand or restrictions on exports of certain types of cargo handled by PJSC NCSP.	Seasonal fluctuations in cargo turnover and need to redistribute utilization of capacity.
2.11.	Emergency situations and accidents, including manmade and natural incidents, as well as environmental pollution resulting in obligations to make reparations for damages.	Possible temporary reduction of cargo turnover and change in financial results due to the need to repair damage and make reparations.
3.	**COUNTRY RISKS**	
3.1.	In 2014, the United States and European Union imposed sanctions against a number of Russian officials, business people and organizations. These measures, particularly in the event of their further escalation, could cause difficulties with access to international capital markets, and the imposition of certain national or international restrictions on trade or other operations with companies registered in Russia.	Change in business results and development prospects of PJSC NCSP.
4.	**FINANCIAL RISKS**	
4.1.	Changes in interest rates.	Change in NCSP Group financial results due to large share of loans with floating interest rate.
4.2.	Changes in currency exchange rates (primarily Russian ruble to U.S. dollar).	Change in revenue, debt servicing costs and margin. The Company has a 'natural hedge' since cargo handling rates are primarily set in U.S. dollars.
4.3.	Inflationary processes.	Higher prices for supplies and raw materials and, consequently, changes in the Group's net profit since the ability to change rates for loading and unloading services is constrained by government regulation.
		Change in margin due to change in consumer price index and, consequently, change in financial position and ability to meet obligations.
4.4.	Late payment of debts by customers.	Incurrence of financial losses.
5.	**LEGAL RISKS**	
5.1.	Contradictions between local, regional and federal laws, rules and regulations, as well as industry standards that apply to the Company's business.	Uncertainty about the legal status of certain legal and business decisions made at the Company.
5.2.	Disputes between shareholders.	PJSC NCSP controlling shareholders (beneficiaries) pursuing a policy that does not fully serve the interests of minority shareholders, including holders of Global Depositary Receipts.
		PJSC NCSP carrying shareholder risks as part of involvement in joint ventures and strategic partnerships.
5.3.	Changes in currency regulations and currency control.	Uncertainty regarding currency operations.
		Incurrence of additional expenses to bring PJSC NCSP activities in line with new requirements, including making amendments to relevant contracts.
5.4.	Unclear wording and gaps in regulations concerning tax legislation.	Difference of opinion between the Group and tax authorities over issues related to application of tax law, allowing for contradictions in interpretations. Occurrence of additional liability costs in disputes with tax authorities. Possible additional charge of tax, fines and penalties.

FINANCIAL STATEMENTS

CRUDE OIL

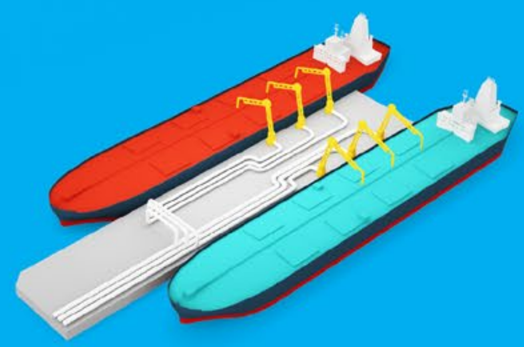
CRUDE OIL IS DELIVERED TO NCSP GROUP PORTS BY PIPELINE: 30.4 MILLION TONNES TO NOVOROSSIYSK AND 42.4 MILLION TONNES TO PRIMORSK IN 2014.

TANK FARM

IN ORDER TO ASSEMBLE SHIPLOADS OF OIL PRODUCTS, NCSP GROUP SUBSIDIARY IPP HAS ITS OWN TANK FARM WITH CAPACITY OF 138,000 M³.

UNLOADING OF TANK CARS

OIL PRODUCTS ARE DELIVERED TO THE PORTS BOTH BY PIPELINE AND BY RAILWAY. IPP HAS FOUR UNLOADING RACKS WITH CAPACITY FOR 74 TANK CARS.



OIL PRODUCTS

ALMOST ALL CRUDE OIL AND OIL PRODUCTS SHIPPED FROM NOVOROSSIYSK AND PRIMORSK ARE DESTINED FOR EUROPEAN PORTS. THE GROUP'S CLIENTS ARE LEADING RUSSIAN OIL COMPANIES.

FIRE FIGHTING VESSEL

NCSP GROUP PROVIDES A FULL RANGE OF AUXILIARY PORT FLEET SERVICES, INCLUDING TOWING, BUNKERING, FIRE FIGHTING AND ENVIRONMENTAL PROTECTION SERVICES.

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Management is responsible for the preparation of consolidated financial statements that present fairly the consolidated financial position of Public Joint Stock Company Novorossiysk Commercial Sea Port and its subsidiaries (the "Group") as at 31 December 2014, and the consolidated results of its operations, cash flows and changes in shareholder's equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position, financial performance and cash flows; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with statutory legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2014 were approved by management on 30 March 2015:

S.K. Batov*	**G.I. Kachan***
Chief Executive Officer	Chief Accountant

* The original version of consolidated financial statements were signed by S.K. Batov (Chief Executive Officer) and G.I. Kachan (Chief Accountant). Electronic version of the signed consolidated financial statements is available at:

In Russian: http://nmtp.info/content/holding/downloads/2015/NCSP_IFRS_Cons_FS_14_r.pdf
In English: http://nmtp.info/content/holding/downloads/2015/NCSP_IFRS_Cons_FS_14_e.pdf

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Board of Directors of Public Joint Stock Company Novorossiysk Commercial Sea Port:

We have audited the accompanying consolidated financial statements of Public Joint Stock Company Novorossiysk Commercial Sea Port and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the accompanying consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the fair presentation of these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to express an opinion on the fair presentation of these consolidated financial statements.

OPINION

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2014, and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

EMPHASIS OF MATTER

The accompanying consolidated financial statements have been prepared assuming that the Group will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the negative working capital position resulting from the Group's non-compliance with certain covenants of its loan agreement with Sberbank raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to this matter are also discussed in Note 1 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not qualified in respect of this matter.

30 March 2015
Moscow, Russian Federation

Metelkin E.A., Partner*
(certificate № 01-001012 dated 26 November 2012)

ZAO Deloitte & Touche CIS

The Entity: PJSC "NCSP"

Certificate of state registration № 3207, issued by the Administration of Novorossiysk by 11.12.1992.

Certificate of registration in the Unified State Register № 1022302380638 of 23.08.2002, issued by Novorossiysk Inspectorate of the Russian Ministry of Taxation.

Address: 353901, Russian Federation, Krasnodar region, Novorossiysk, Portovaya st., 14 Independent Auditor: ZAO "Deloitte & Touche CIS"

Certificate of state registration № 018.482, issued by the Moscow Registration Chamber on 30.10.1992.

Certificate of registration in the Unified State Register № 1027700425444 of 13.11.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 39.

Certificate of membership in «NP «Audit Chamber of Russia» (auditors' SRO) of 20.05.2009 № 3026, ORNZ 10201017407.

* The original version of consolidated financial statements were signed by Metelkin E.A. (Partner). Electronic version of the signed consolidated financial statements is available at:

In Russian: http://nmtp.info/content/holding/downloads/2015/NCSP_IFRS_Cons_FS_14_r.pdf
In English: http://nmtp.info/content/holding/downloads/2015/NCSP_IFRS_Cons_FS_14_e.pdf

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS FOR THE YEAR ENDED 31 DECEMBER 2014 (IN THOUSANDS OF US DOLLARS, EXCEPT LOSSES PER SHARE)

	Notes	Year ended 31 December 2014	Year ended 31 December 2013
REVENUE	6	955,645	928,090
COST OF SERVICES	7	(372,709)	(424,456)
GROSS PROFIT		**582,936**	**503,634**
Selling, general and administrative expenses	8	(71,598)	(76,942)
Impairment of goodwill	13	(29,539)	(259,903)
Other operating income, net		67	342
OPERATING PROFIT		**481,866**	**167,131**
Interest income		33,437	25,465
Finance costs	9	(200,733)	(137,307)
Share of (loss)/profit in joint venture, net	16	(7,123)	1,757
Foreign exchange loss, net		(789,115)	(125,353)
Other (loss)/income, net		(10,345)	202
LOSS BEFORE INCOME TAX		**(492,013)**	**(68,105)**
Income tax	10	77,350	(36,601)
LOSS FOR THE YEAR		**(414,663)**	**(104,706)**
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX			
Items that may be subsequently reclassified to profit or loss: Effect of translation to presentation currency		(392,594)	(91,260)
Items that may not be subsequently reclassified to profit or loss: Remeasurement of net defined benefit liability	25	1,603	178
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		(390,991)	(91,082)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(805,654)**	**(195,788)**
(Loss)/income for the year attributable to:			
Equity shareholders of the parent company		(428,633)	(109,793)
Non-controlling interests		13,970	5,087
		(414,663)	**(104,706)**
Total comprehensive (loss)/income attributable to:			
Equity shareholders of the parent company		(802,365)	(198,535)
Non-controlling interests		(3,289)	2,747
		(805,654)	**(195,788)**
Weighted average number of ordinary shares outstanding		18,743,128,904	18,743,128,904
BASIC AND DILUTED LOSS PER SHARE, US DOLLARS		(0.023)	(0.006)

S.K. Batov*
Chief Executive Officer

G.I. Kachan*
Chief Accountant

* The original version of consolidated financial statements were signed by S.K. Batov (Chief Executive Officer) and G.I. Kachan (Chief Accountant). Electronic version of the signed consolidated financial statements is available at:

In Russian: http://nmtp.info/content/holding/downloads/2015/NCSP_IFRS_Cons_FS_14_r.pdf
In English: http://nmtp.info/content/holding/downloads/2015/NCSP_IFRS_Cons_FS_14_e.pdf

The notes on pages 70 to 115 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014 (IN THOUSANDS OF US DOLLARS)

ASSETS	Notes	31 December 2014	31 December 2013
NON-CURRENT ASSETS:			
Property, plant and equipment	12	1,163,391	1,959,812
Goodwill	13	631,850	1,128,893
Mooring rights	14	3,602	6,745
Other financial assets	15	17,999	18,615
Investment in joint venture	16	–	9,752
Spare parts		4,721	6,907
Deferred tax assets	10	128,899	4,623
Other intangible assets		1,442	2,244
Other non-current assets		3,195	1,643
		1,955,099	**3,139,234**
CURRENT ASSETS:			
Inventories	18	9,069	12,451
Advances to suppliers		7,992	4,197
Trade and other receivables, net	19	20,979	42,855
VAT recoverable and other taxes receivable		15,518	25,124
Income tax receivable		355	1,198
Other financial assets	15	679	5,032
Cash and cash equivalents	20	310,723	420,966
		365,315	**511,823**
Assets held for sale	12	–	6,466
TOTAL ASSETS		**2,320,414**	**3,657,523**
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	21	10,471	10,471
Treasury shares		(281)	(281)
Foreign currency translation reserve		(505,673)	(130,371)
Retained earnings		763,735	1,203,686
Equity attributable to shareholders of the parent company		268,252	1,083,505
Non-controlling interests		25,521	35,177
TOTAL EQUITY		**293,773**	**1,118,682**
NON-CURRENT LIABILITIES:			
Long-term debt	22	–	1,767,379
Obligations under finance leases	23	10,437	20,260
Cross-currency and interest rate swap LT	24	–	14,411
Defined benefit obligation	25	4,448	9,184
Deferred tax liabilities	10	152,437	262,819
Other non-current liabilities		711	1,301
		168,033	**2,075,354**
CURRENT LIABILITIES:			
Current portion of long-term debt	22	1,722,119	388,666
Current portion of obligations under finance leases	23	8,809	9,709
Trade and other payables	26	7,823	22,099
Advances received from customers		14,100	17,817
Taxes payable		3,247	5,420
Income tax payable		11,951	2,842
Cross-currency and interest rate swap ST	24	72,820	–
Accrued expenses	27	17,739	16,934
		1,858,608	**463,487**
TOTAL EQUITY AND LIABILITIES		**2,320,414**	**3,657,523**

The notes on pages 70 to 115 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014 (IN THOUSANDS OF US DOLLARS)

	Notes	Attributable to shareholders of the parent company					Non-controlling interests	Total
		Share capital	Treasury shares	Foreign currency translation reserve	Retained earnings	Total		
At 1 January 2013		**10,471**	**(281)**	**(41,413)**	**1,327,102**	**1,295,879**	**32,445**	**1,328,324**
Loss for the year		–	–	–	(109,793)	(109,793)	5,087	**(104,706)**
Other comprehensive loss for the year, net of tax		–	–	(88,958)	216	(88,742)	(2,340)	**(91,082)**
Total comprehensive loss for the year				**(88,958)**	**(109,577)**	**(198,535)**	**2,747**	**(195,788)**
Dividends	11	–	–	–	(13,818)	**(13,818)**	(8)	**(13,826)**
Increase of ownership in subsidiaries		–	–	–	(21)	**(21)**	(7)	**(28)**
At 31 December 2013		**10,471**	**(281)**	**(130,371)**	**1,203,686**	**1,083,505**	**35,177**	**1,118,682**
At 31 December 2014		**10,471**	**(281)**	**(130,371)**	**1,203,686**	**1,083,505**	**35,177**	**1,118,682**
Loss for the year		–	–	–	(428,633)	(428,633)	13,970	**(414,663)**
Other comprehensive loss for the year, net of tax		–	–	(375,302)	1,570	(373,732)	(17,259)	**(390,991)**
Total comprehensive loss for the year		–	–	**(375,302)**	**(427,063)**	**(802,365)**	**(3,289)**	**(805,654)**
Dividends	11	–	–	–	(12,364)	**(12,364)**	(6,891)	**(19,255)**
Increase of ownership in subsidiaries		–	–	–	(524)	**(524)**	(524)	**–**
At 31 December 2014		**10,471**	**(281)**	**(505,673)**	**763,735**	**268,252**	**25,521**	**293,773**

The notes on pages 70 to 115 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014 (IN THOUSANDS OF US DOLLARS)

	Notes	Year ended 31 December 2014	Year ended 31 December 2013
Cash flows from operating activities			
Cash from operations	29	580,560	504,514
Income tax paid		(69,918)	(57,012)
Interest paid		(119,106)	(123,431)
Net cash generated by operating activities		**391,536**	**324,071**
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		7,919	1,461
Purchases of property, plant and equipment		(94,235)	(96,639)
Proceeds from other financial assets		507	48,087
Purchases of other financial assets		(402)	(3,971)
Interest received		29,620	22,333
Purchases of other intangible assets		(1,256)	(945)
Net cash used in investing activities		**(57,847)**	**(29,674)**
Cash flows from financing activities			
Repayments of loans and borrowings		(372,781)	(86,340)
Dividends paid	11	(18,266)	(13,958)
Increase of ownership in subsidiaries		–	(28)
Payments under lease contracts		(12,850)	(8,734)
Net cash used in financing activities		**(403,897)**	**(109,060)**
Net (decrease)/increase in cash and cash equivalents		**(70,208)**	**185,337**
Cash and cash equivalents at the beginning of the year	20	420,966	242,579
Effect of translation into presentation currency on cash and cash equivalents		(40,035)	(6,950)
Cash and cash equivalents at the end of the year	20	**310,723**	**420,966**

The notes on pages 70 to 115 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Organisation

Public Joint Stock Company ("PJSC") Novorossiysk Commercial Sea Port ("NCSP") was founded in 1845. NCSP was transformed from a state-owned enterprise to a joint-stock company in December 1992. NCSP's principal activities include stevedoring, additional port services, and sea vessel services. NCSP and its subsidiaries (the "Group") are primarily incorporated and operate in the Russian Federation.

The principal activities and significant entities of the Group as at 31 December 2014 were as follows:

Significant subsidiaries	Nature of business	Ownership % held*	
		31 December 2014	31 December 2013
LLC Primorsk Trade Port	Stevedoring and additional port services	100.00%	100.00%
PJSC Novorossiysk Grain Terminal	Stevedoring and additional port services	100.00%	100.00%
OJSC Novoroslesexport	Stevedoring and additional port services	91.38%	91.38%
OJSC IPP	Stevedoring and additional port services	99.99%	99.99%
OJSC Novorossiysk Shipyard	Stevedoring and marine vessels repair services	65.18%	65.18%
LLC Baltic Stevedore Company	Stevedoring and additional port services	100.00%	100.00%
PJSC Fleet Novorossiysk Commercial Sea Port	Tug and towing services and bunkering	95.19%	95.19%
CJSC SoyuzFlot Port	Tug and towing services	99.99%	99.99%

The main subsidiaries of the Group are located in the eastern sector of the Black Sea in Tsemesskaya Bay as well as in the Leningrad and Kaliningrad District.

NCSP is the largest stevedore of the Group and the holding company. It operates the primary cargo-loading district, the Sheskharis oil terminal, the technical support base and the passenger terminal in Novorossiysk. NCSP has eight significant subsidiaries, the primary activities of which are as follows:

LLC Primorsk Trade Port ("PTP")
PTP is involved in the transshipment of oil and oil products in the port of Primorsk, Leningrad Region.

PJSC Novorossiysk Grain Terminal ("Grain Terminal")
Grain Terminal manages grain storage and a shipment terminal in Novorossiysk, in the western part of the Tsemesskaya Bay.

OJSC Novoroslesexport ("Novoroslesexport")
Novoroslesexport provides stevedoring and storage services for the export of timber, containerised cargo, nonferrous metals and perishable goods.

* The ownership is calculated based on the total number of shares owned by the Group as of the reporting dates including voting preferred shares.

OJSC IPP ("IPP")
IPP is a liquid-cargo processing enterprise, and also provides bunkering services.

OJSC Novorossiysk Shipyard ("Shipyard")
Shipyard is the largest ship-repair enterprise in the South of Russia. It operates a major universal port specializing in transshipment of ferrous metals, cement and perishable goods. It also handles loose goods in soft containers and big bags, construction cargo, oversize cargo and roll-on roll-off cargo at its own ferry berth.

LLC Baltic Stevedore Company ("BSC")
BSC is a stevedoring company operating the container and passenger terminal of the Baltiysk port in the Kaliningrad Region.

PJSC Fleet Novorossiysk Commercial Sea Port ("Fleet")
Fleet is a maritime tug and towing company. It provides most of the tug and towing, mooring and bunkering services for ships and other maritime vessels at and around the Novorossiysky Port (the "Port"). In addition, it carries out emergency services such as transferring vessels to shelter zones during emergencies, cleaning and containment services for oil or other liquid spills in and around the Port and hazardous material response and waste management services.

CJSC SoyuzFlot Port ("SFP")
SFP is a subsidiary of PTP. SFP is the operator of pilotage and tug and towing services in the Port of Primorsk in the Leningrad District.

Golden share

The Government of the Russian Federation holds a 'golden share' in NCSP. This 'golden share' allows the state to veto decisions made by the shareholders to amend the charter, as well as decisions relating to liquidation, corporate restructuring and significant transactions.

Going concern assumption

The accompanying consolidated financial statements of the Group have been prepared assuming that the Group will continue as a going concern, which presumes that the Group will, for the foreseeable future, be able to realise its assets and discharge its liabilities in the normal course of business.

As at 31 December 2014, the share price was below the minimum level set by the Group's secured US Dollar loan agreement with Sberbank (Note 22). In addition, during 3rd and 4th quarters of the year 2014 NCSP's activities were loss-making, which resulted in breach of another covenant stated in the agreement.

As of 31 December 2014 the loan amount was reclassified to current liabilities and the Group's current liabilities exceeded the current assets.

A supplementary agreement changing the covenants was signed with Sberbank in 2015. Under this agreement the price per share is determined based on an independent appraiser report and net profit (loss) is calculated excluding foreign exchange gains and losses.

As of the date of approval of these financial statements no early repayment claims from Sberbank were received. On the basis of the supplementary agreement and discussions with Sberbank, the Group's management considers the risk of early repayment claims as remote.

Price regulation

In 2013 and January 2014 the Federal Tariff Service of Russia ("FTS") changed the price regulation regime for cargo handling and storage for NCSP, PTP, Novoroslesexport, Shipyard and IPP from direct regulation to price monitoring. These Group entities are now permitted to independently set tariffs for the aforementioned services though are required to send quarterly information on prices for their services to the FTS for monitoring and oversight.

2. BASIS FOR PRESENTATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS").

New and revised standards

On January 1, 2014 the following standards and interpretations were adopted by the Group:

- Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities;
- Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities;
- Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets;
- Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting;
- IFRIC 21 Levies.

The above standards and amendments did not affect the consolidated financial statements.

Standards and Interpretations issued but not yet effective

At the date of approval of the Group's consolidated financial statements, the following new and revised standards and interpretations have been issued, but are not effective for the current year:

	Effective for annual periods beginning on or after
IFRS 9 (2014) "Financial Instruments"	1 January 2018
IFRS 15 "Revenue from Contracts with Customers"	1 January 2017
IFRS 14 "Regulatory Deferral Accounts"	1 January 2016
Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 (2011) "Investments in Associates and Joint Ventures" – Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to IFRS 11 "Joint Arrangements" – Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to IAS 1 "Presentation of Financial Statements" – Disclosure Initiative	1 January 2016
Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" – Agriculture: Bearer Plants	1 January 2016
Amendments to IAS 19 "Employee Benefits" – Defined Benefit Plans: Employee Contributions	1 July 2014
Amendments to IAS 27 "Separate Financial Statements" – Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to IFRSs: 2010-2012 Cycle	1 July 2014
Annual Improvements to IFRSs: 2011-2013 Cycle	1 July 2014
Annual Improvements to IFRSs: 2012-2014 Cycle	1 January 2016
Amendments to IFRS 10 «Consolidated Financial Statements» and IAS 28 «Investments in Associates and Joint Ventures» - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016

Management anticipates that standards and interpretations which are relevant to the Group's business will be adopted by the Group in the periods they become effective. The impact of adoption of these standards and interpretations on the consolidated financial statements of future periods is currently being assessed by management.

Functional and presentation currency

The functional currency of NCSP and principally all of its subsidiaries is the Russian Rouble ("RUR"). The consolidated financial statements are presented in US Dollars as management considers the USD to be a more relevant presentation currency for international users of the consolidated financial statements of the Group.

The translation from RUR into USD is performed in accordance with the requirements of IAS 21 The Effect of Changes in Foreign Exchange Rates, as described below:

- All assets and liabilities, both monetary and non-monetary, are translated at closing exchange rates at the dates of each consolidated balance sheet presented;
- Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case exchange rates at the dates of transactions are used. As RUR significantly depreciated against USD in the year ended 31 December 2014 with the most part of depreciation falling on the 4th quarter of 2014, income and expense items for 2014 have been translated using average exchange rates for first nine months and 4th quarter of 2014 separately;
- All resulting exchange differences are included in equity and presented separately as an effect of translation into presentation currency (foreign currency translation reserve);
- In the consolidated statement of cash flows, cash balances at the beginning and end of each year presented are translated at exchange rates at the respective dates of the beginning and end of each year. All cash flows are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case exchange rates at the dates of transactions are used. As RUR significantly depreciated against USD in the year ended 31 December 2014 with the most part of depreciation falling on the 4th quarter of 2014, cash flows for 2014 have been translated using average exchange rates for first nine months and 4th quarter of 2014 separately. Resulting exchange differences are presented separately from cash flows from operating, investing and financing activities as "Effect of translation into presentation currency on cash and cash equivalents"; and
- All items included in shareholder's equity, other than loss for the reporting period, have been translated at historical rate, except for balances converted to USD at the rate in effect on 1 January 2005, the date of transition to IFRS.

Exchange rates

The Group used the following exchange rates in the preparation of the consolidated financial statements:

	2014	2013
Year-end rates		
RUR / 1 USD	56.26	32.73
RUR / 1 EUR	68.34	44.97
Average rates, RUR / 1 USD		
1 January – 30 September (9 months)	35.39	–
1 October – 31 December (4th quarter)	47.42	–
1 January – 31 December (the year)	38.42	31.85
Average rates, RUR / 1 USD		
1 January – 30 September (9 months)	47.99	–
1 October – 31 December (4th quarter)	59.20	–
1 January – 31 December (the year)	50.82	42.31

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements has been prepared on the historical cost basis except for assets and liabilities at the date of acquisition of control and financial instruments that are measured at fair values at the end of each reporting period.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of NCSP and entities controlled by NCSP and its subsidiaries. Control is achieved when NCSP:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

NCSP reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When NCSP has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. NCSP considers all relevant facts and circumstances in assessing whether or not NCSP's voting rights in an investee are sufficient to give it power, including:

- The size of NCSP's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by NCSP, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that NCSP has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when NCSP obtains control over the subsidiary and ceases when NCSP loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive loss from the date NCSP gains control until the date when NCSP ceases to control the subsidiary.

Profit or loss and each component of other comprehensive loss are attributed to the owners of NCSP and to the non-controlling interests. Total comprehensive loss of subsidiaries is attributed to the owners of NCSP and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

IFRS 11 "Joint Arrangements" replaced IAS 31 "Interests in Joint Ventures". IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under IFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under IFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The results and assets and liabilities of associates and joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 "Non-current Assets and Held for Sale and Discontinued Operations". Under the equity method, investments in associates and joint ventures are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate or joint venture, less any impairment in the value of individual investments. Losses of an associate or joint venture in excess of the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, forms part of the Group's net investment in the associate or joint venture) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate or joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

The requirements of IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39") are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets" ("IAS 36") as a single asset by comparing its recoverable amount (higher of value in use or fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Where a Group entity transacts with an associate or joint venture of the Group, profit and losses resulting from transactions with associates or joint ventures are eliminated to the extent of the Group's interest in these associates.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the acquisition date less accumulated impairment loss, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergy of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described under "Investments in associates and joint ventures" above.

Foreign currencies

In preparing the financial statements of the individual entities forming part of the Group, transactions in currencies other than the functional currency of each entity (foreign currencies) are recorded at the exchange rates prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the end of each reporting period presented. Non monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date the fair value was determined. Non-monetary items carried at historical cost are translated at the exchange rate prevailing on the date of the transaction. Exchange differences are recognised in profit or loss in the period in which they arise as a separate component, except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered into to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive loss and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group, delivery has occurred, services have been rendered or works are fully completed, the amount of the revenue can be measured reliably, persuasive evidence of an arrangement exists and the collectability of the revenue is reasonably assured.

The Group's revenue is derived as follows:

- Stevedoring services (liquid, dry bulk cargo, general cargo and containers transshipment) including loading and unloading of oil, oil products, grain, mineral fertilizes, chemicals, containers, timber, timber products, metal products (slabs, tubing, rolled metal and others), sugar, and other cargo, fuel bunkering;
- Additional port services provided to customers at their requests (e.g. forwarding, storage, custom documentation, repacking, ship repair services for all types of vessels and maintenance in berths, etc.);
- Fleet services including tugging, towing and other related services; and
- Other services mainly including the rental and resale of energy and utilities to external customers.

Revenue from cargo-transshipment, fleet and additional port services is recognised when the services are accepted by the customers (typically after the loading or unloading of cargo, as defined by the sales terms). Revenue from other services is recognised when the services are provided to the customers.

Dividend income from investments is recognised when the Group's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Finance lease

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the consolidated statement of comprehensive loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Depreciation of these assets is recorded on the same basis as for other property assets, and commences when the assets are put into operation.

Transaction costs associated with the issuance of a debt instrument are recorded as a reduction of the liability, and are amortised to interest expense over the term of the related borrowing. In any period in which the borrowing is redeemed, the related unamortized costs are expensed.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Employee benefits

Defined contribution plan
The Group's Russian subsidiaries are legally obliged to make defined contributions to the Russian Federation State Pension Fund. The Group's contributions to the Russian Federation State Pension Fund relating to defined contribution plans are charged to the consolidated statement of comprehensive loss in the period to which they relate.

In the Russian Federation, all state social contributions, including contributions to the Russian Federation State Pension Fund, are collected through taxes of 0% to 30%, directly calculated based on the annual gross remuneration of each employee. The rate of contribution to the Russian Federation State Pension Fund varies from 0% to 22%. When the annual gross remuneration of an employee exceeds 624 thousand RUR (USD 16.2), the 10% tax rate is applied.

Defined benefit plans
For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations performed at the end of each reporting period presented. Actuarial assumptions are an entity's best estimates of the variables that will determine the ultimate cost of providing post-employment benefits. Actuarial assumptions include the financial assumptions dealing with items such as taxes paid by the plan in respect of services-related contributions to the balance sheet date, or in respect of remuneration granted in connection with the services. Remeasurement comprising actuarial gains and losses are recognised immediately in the balance sheet with a charge or credit to other comprehensive loss in the period in which they occur. Remeasurement recorded in the other comprehensive loss is not recycled. Past service cost is recognised in profit or loss in the period of scheme amendment.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the present value of the defined benefit obligation.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates enacted or substantively enacted at the end of each reporting period presented.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period presented and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized based on the tax laws and rates that have been enacted or substantively enacted at the end of each reporting period presented.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred taxes are recognised as an expense or income in the consolidated statement of comprehensive loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or they arise from the initial accounting for a business combination. In case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities over the cost.

Property, plant and equipment

The Group adopted IFRS effective 1 January 2005. As part of the adoption, the Group elected to utilise exemptions available for first-time adopters under IFRS 1, choosing to record property, plant and equipment at fair value (deemed cost). Valuations were performed by management with the assistance of independent appraisers as at 1 January 2005 and approved by the Group management. After that date, property, plant and equipment are stated at deemed cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment acquired through acquisitions of subsidiaries are recorded at fair value on the date of the acquisition, as determined by management with the assistance of an independent appraiser.

Additions to property, plant and equipment are recorded at cost. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs, including overhaul expenses, are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Capitalised cost includes major expenditures for improvements and replacements that extend the useful lives of the assets or increase their revenue generating capacity. Repairs and maintenance expenditures that do not meet the foregoing criteria for capitalisation are charged to statement of comprehensive loss as incurred.

Depreciation is charged so as to write off the cost or deemed cost of assets, other than land and property under construction, over their estimated useful lives, using the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

	Number of years
Buildings and constructions	3-75
Machinery and equipment	2-40
Marine vessels	4-25
Motor transport	3-15
Other	2-30

Properties in the course of construction for production, rental or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are put into operation.

Construction in progress comprise costs directly related to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction as well as costs of purchase of other assets that require installation or preparation for their use. Depreciation of these assets, on the same basis as for other property assets, commences when the assets are put into operation. Construction in progress is reviewed regularly to determine whether its carrying value is fairly stated and whether appropriate provision for impairment is made.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Mooring rights and other intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortisation and impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Amortisation of mooring rights and other intangible assets is charged to profit or loss.

Mooring rights and other intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is the fair value at the acquisition date.

Subsequent to initial recognition, mooring rights and other intangible assets acquired in a business combination are reported at cost less accumulated amortisation and impairment losses, on the same basis as intangible assets acquired separately.

Useful lives of mooring rights and other intangible assets are as follows:

	Number of years
Mooring rights	20
Marine vessels rights	10
Other intangible assets	3-5

Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Spare parts

Major spare parts and stand-by equipment qualify as non-current assets when an entity expects to use them during more than one year. Such spare parts are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the spare parts to their present location and condition. Spare parts are recognised in profit or loss as consumed.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial assets

Financial assets are recognised and derecognised on a trade date where the purchase or sale of an financial assets is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

The Group's financial assets consist of cash and cash equivalents, loans and receivables.

The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income or expense, respectively, over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments, as applicable, through the expected life of the financial asset or liability, or, where appropriate, a shorter period.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, cash deposits and highly liquid investments with original maturities of three months or less, those are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period presented. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated future cash flows have been impacted. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale ("AFS") equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments issued by the Group

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the asset of an entity deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

The Group's financial liabilities can be classified into financial liabilities at fair value through profit and loss ("FVTPL") and other financial liabilities.

Financial liabilities as at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing in the near future; or
- It is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in Note 32.

Other financial liabilities
Other financial liabilities, including loans and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period presented. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The Group uses derivative instruments, including cross-currency and interest rate swap, to manage exchange rate exposures. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The fair value measurement of the Group's cross-currency and interest rate swap is performed as described in Note 24.

The Group does not use derivative financial instruments for trading or speculative purposes.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period presented, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Dividends declared

Dividends paid to shareholders are determined by the board of directors and declared and approved at the annual shareholders' meeting.

Dividends and related taxation thereon are recognised as a liability in the period in which they have been declared and legally payable.

Accumulated profits distributable by the Group's entities are based on the amounts available for distribution in accordance with the applicable legislation of the jurisdictions where each entity operates and as reflected in the statutory financial statements of the individual entities of the Group based on calendar reporting years (years ended 31 December). These amounts may differ significantly from the amounts calculated on the basis of IFRSs.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods of the revision affects both current and future periods.

Key sources of estimation uncertainty
The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period presented that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Allowance for trade and other receivables and advances to suppliers
The Group creates allowances for doubtful receivables to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of the allowance for doubtful receivables, management bases its estimates on the current overall economic conditions, the ageing of accounts receivable balances, historical write-off experience, customer creditworthiness and changes in payment terms. Changes in the economy, industry or specific customer conditions may require adjustments to the estimated allowance for doubtful receivables.

Useful lives of fixed assets
The useful economic lives of the Group's assets are determined by management at the time the asset is acquired and regularly reviewed for appropriateness. The Group defines useful lives of its assets in terms of the assets' expected utility to the Group. This judgment is based on the experience of the Group with similar assets. In determining the useful life of an asset, the Group also follows technical and/or commercial obsolescence arising on changes or improvements from a change in the market.

Impairment of goodwill
Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Key estimates used in the Group's annual impairment testing are presented in Note 13.

Impairment of assets (excluding goodwill)
The Group periodically evaluates the recoverability of the carrying amount of its assets. Whenever events or changes in circumstances indicate that the carrying amounts of those assets may not be recoverable, the Group make judgments regarding long-term forecasts of future revenues and costs related to the assets subject to review. In turn, these forecasts are uncertain in that they require assumptions about demand for products and future market conditions. Significant and unanticipated changes to these assumptions and estimates included within the impairment reviews could result in significantly different results than those recorded in the consolidated financial statements.

Taxation
The Group is subject to income tax and other taxes. Significant judgement is required in determining the provision for income tax and other taxes due to the complexity of the tax legislation of the Russian Federation where the Group's operations are principally located. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of the whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the amount of tax and tax provisions in the period in which such determination is made.

The Group management believe that no allowance should be made in respect of deferred tax assets as of the reporting date as it is probable that deferred tax assets will be fully realised.

Allowance for obsolete and slow-moving inventory

The Group creates an allowance for obsolete and slow-moving raw materials. Estimates of net realisable value of inventories are based on the most reliable evidence available at the time

the estimates are made. These estimates take into consideration fluctuations of prices or costs directly relating to events occurring subsequent to the end of each reporting period represented to the extent that such events confirm conditions existing at the end of the reporting period. Changes in the supply and demand for the products or any subsequent changes to prices or costs may require adjustments to the estimated allowance for obsolete and slow-moving raw materials.

5. SEGMENT INFORMATION

The Group's operations are managed by type of services: stevedoring services and additional port services; fleet services; and other services mainly comprising rent, resale of energy and utilities to external customers (which individually do not constitute separate reportable segments). Stevedoring services, additional port services and fleet services are then managed by regions. As a result, all decisions regarding allocation of resources and further assessment of performance are made separately for Novorossiysk, Primorsk and Baltiysk in respect of stevedoring and additional services and for Novorossiysk and Primorsk in respect of fleet services. All segments have different segment managers responsible for each segment's operations. The chief operating decision maker is responsible for allocating resources to and assessing the performance of each segment of the business.

Segment results are evaluated based on segment profit as disclosed in the management accounts, which are determined under Russian statutory accounting standards. Adjustments to reconcile segment profit to loss before income tax under IFRS include the following: unallocated operating income and expenses, differences between Russian statutory accounting standards and IFRS, interest income, finance costs, share of (loss)/profit in joint venture, foreign exchange loss (net), and other (expenses)/income (net).

Segment revenue and segment results

Sales transactions between segments are made at prices which are defined in the Group companies' price lists. The price list contains both services for which tariffs are monitored by the state and other services for which prices are set by the Group. Prices for non-regulated services are at market rates.

The segment revenue and results for the years ended 31 December 2014 and 2013 are as follows:

	Segment revenue		Inter-segment sales		Segment profit	
	Year ended					
	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Stevedoring and additional port services	859,395	821,5	6,192	10,428	458,885	369,552
Novorossiysk	695,854	615,374	5,791	10,382	379,928	266,172
Primorsk	148,194	192,14	401	46	72,012	98,727
Baltiysk	15,347	13,986	–	–	6,945	4,653
Fleet services	81,553	90,681	2,457	5,09	36,76	35,088
Novorossiysk	52,272	50,954	2,353	2,583	22,332	11,869
Primorsk	29,281	39,727	104	2,507	14,428	23,219
Total reportable segments	**940,948**	**912,181**	**8,649**	**15,518**	**495,645**	**404,64**
Other services	14,697	15,909	14,226	16,644	13,688	20,535
Total segments	**955,645**	**928,09**	**22,875**	**32,162**	**509,333**	**425,175**
Adjustments and eliminations (see following table)					(1,001,346)	(493,280)
Loss before income tax					**(492,013)**	**(68,105)**

During the years ended 31 December 2014 and 2013, revenue from LINK OIL TRADING LTD of 91,225 and BIG PORT SERVICE DMCC of 131,722, respectively, represents more than 10% of revenue from stevedoring and additional services. Management of the Group believes that it adequately manages the corresponding credit risk by, inter alia, monitoring the schedule of payments based on agreed repayment terms.

Total reportable segment profit reconciles to the Group consolidated loss before income tax throughthe following adjustments and eliminations:

	Year ended	
	31 December 2014	31 December 2013
Total segment profit	**509,333**	**425,175**
Unallocated operating income and expenses:		
Impairment of goodwill	(29,539)	(259,903)
Other operating income, net	67	342
Defined benefit obligation expense	(592)	(508)
Differences between Russian statutory accounting standards and IFRS:		
Depreciation and amortisation	(15,216)	(18,021)
Repairs and maintenance	782	2,341
Professional services	211	250
Finance lease	13,586	11,824
Other	3,234	5,631
Operating profit	**481,866**	**167,131**
Interest income	33,437	25,465
Finance costs	(200,733)	(137,307)
Share of (loss)/profit in joint venture, net	(7,123)	1,757
Foreign exchange loss, net	(789,115)	(125,353)
Other (expense)/income, net	(10,345)	202
Loss before income tax	**(492,013)**	**(68,105)**

Other segment information

	Depreciation and amortisation charge		Capital expenditures	
	Year ended			
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Stevedoring and additional port services	58,163	62,540	80,358	116,928
Novorossiysk	46,794	49,064	72,747	103,619
Primorsk	9,031	11,070	495	2,243
Baltiysk	2,338	2,406	7,116	11,066
Fleet services	6,482	7,100	1,546	4,108
Novorossiysk	4,198	4,470	931	3,773
Primorsk	2,284	2,630	615	335
Total reportable segments	**64,645**	**69,640**	**81,904**	**121,036**
Other services	3,551	5,402	272	1,593
Total segments	**68,196**	**75,042**	**82,176**	**122,629**
Unallocated amounts	6,645	6,414	14,736	4,891
Consolidated	**74,841**	**81,456**	**96,912**	**127,520**

Capital expenditures consist of additions of property, plant and equipment, which include construction in progress and the related advances paid as of the end of the year (Note 12).

6. REVENUE

	Year ended	
	31 December 2014	31 December 2013
Stevedoring services	752,499	735,076
Additional port services	106,896	86,424
Fleet services	81,553	90,681
Other	14,697	15,909
Total	**955,645**	**928,090**

7. COST OF PRODUCTION OF SERVICES

	Year ended	
	31 December 2014	31 December 2013
Fuel for resale and own consumption	107,373	138,501
Salaries	70,823	75,283
Depreciation and amortisation	70,603	77,211
Rent	55,149	65,970
Taxes directly attributable to salaries	18,802	19,870
Repairs and maintenance	16,871	14,012
Subcontractors	12,058	13,096
Materials	8,294	7,904
Energy and utilities	7,707	7,649
Defined benefit obligation expense	1,222	1,179
Insurance	1,194	1,162
Other	2,613	2,619
Total	**372,709**	**424,456**

8. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended	
	31 December 2014	31 December 2013
Salaries	31,548	38,810
Taxes other than income tax	8,092	9,630
Taxes directly attributable to salaries	5,473	6,366
Impairment loss recognised on trade and other receivables	5,287	509
Depreciation and amortisation	4,238	4,245
Security services	3,772	4,325
Charitable donations	3,075	3,331
Professional services	1,816	1,821
Repairs and maintenance	1,753	1,581
Materials	1,091	1,262
Travel and representation expenses	860	1,079
Bank charges	424	526
Rent	321	706
Other	3,848	2,751
Total	**71,598**	**76,942**

9. FINANCE COSTS

	Year ended 31 December 2014	Year ended 31 December 2013
Interest on loans and borrowings	114,729	125,126
Loss on cross-currency and interest rate swap	82,892	10,421
Interest expense – finance lease	3,112	1,760
Total	**200,733**	**137,307**

10. INCOME TAX

	Year ended 31 December 2014	Year ended 31 December 2013
Current income tax expense	84,488	48,787
Deferred income tax benefit	(161,838)	(12,186)
Total	**(77,350)**	**36,601**

Income tax expense relating to the Group's activities in the Russian Federation, with the exception of the activities of PTP which is permitted to apply a reduced income tax rate of 15.5% until 2015 inclusively, is calculated at 20% of the estimated taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Income tax expense calculated by applying the Russian Federation statutory income tax rate to profit before income tax differs from income tax expense recognised in the consolidated statement of comprehensive loss as a consequence of the following factors:

	Year ended 31 December 2014	Year ended 31 December 2013
Loss before income tax	(492,013)	(68,105)
Tax at the Russian Federation statutory rate of 20%	(98,403)	(13,621)
Impairment of goodwill	5,908	51,981
Different tax rates of subsidiaries	(3,408)	(5,118)
Revaluation of cross-currency and interest rate swap	16,772	2,000
Other non-deductible expenses	1,781	1,359
Total	**(77,350)**	**36,601**

The movement in the Group's net deferred taxation position was as follows:

	31 December 2014	31 December 2013
Net balance at the beginning of the year	**258,196**	**291,007**
Benefit recognised during the year	(161,838)	(12,186)
Effect of translation into presentation currency	(72,820)	(20,625)
Net balance at the end of the year	**23,538**	**258,196**

Deferred taxation is attributable to the temporary differences that exist between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

The tax effects of temporary differences that give rise to deferred taxation are as follows:

	31 December 2014	31 December 2013
Deferred tax assets		
Tax loss carry forward	122,646	12,640
Accrued expenses	29,215	13,656
Investment valuation	1,952	1,858
Allowance for doubtful receivables	242	–
Vacation accruals	177	137
Allowance for obsolete and slow-moving inventories	102	164
Total	**154,334**	**28,455**
Deferred tax liabilities		
Property, plant and equipment	163,615	281,266
Debt	13,537	4,037
Mooring rights	720	1,348
Total	**177,872**	**286,651**
Net deferred tax liability	**23,538**	**258,196**

Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. The following is the analysis of the deferred tax balances (after offset) as they are recorded in the consolidated statement of financial position:

	31 December 2014	31 December 2013
Deferred tax assets	128,899	4,623
Deferred tax liabilities	152,437	262,819
Net deferred tax liability	**23,538**	**258,196**

11. DIVIDENDS

Dividends declared in 2014 and 2013 were 19,255 and 13,826, including dividends to non-controlling interest, respectively. Dividends declared by the parent company per share for 2014 and 2013 were US cents 0.066 and 0.074, respectively. The total dividends paid during 2014 and 2013 were 18,266 and 13,958, respectively.

As at 31 December 2014 the dividend liability of the Group amounted to 868 (31 December 2013: 66). It is included in accrued expenses as at 31 December 2014 and 2013.

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and constructions	Machinery and equipment	Marine vessels	Motor transport	Other	Construction in progress	Total
COST								
As at 1 January 2013	**1,274,754**	**560,978**	**402,092**	**155,861**	**26,955**	**10,778**	**75,690**	**2,507,108**
Additions	30	23,223	68,701	3,897	6,717	1,591	23,361	127,520
Transfer	–	3,388	1,192	–	413	64	(5,057)	–
Disposals	–	(997)	(13,305)	(327)	(2,807)	(473)	(287)	(18,196)
Reclassification as assets held for sale	(6,645)	–	–	–	–	–	–	(6,645)
Effect of translation into presentation currency	(91,604)	(41,080)	(30,474)	(10,264)	(2,057)	(808)	(5,935)	(182,222)
As at 31 December 2013	**1,176,535**	**545,512**	**428,206**	**149,167**	**29,221**	**11,152**	**87,772**	**2,427,565**
ACCUMULATED DEPRECIATION								
As at 1 January 2013	–	**(144,217)**	**(224,993)**	**(44,450)**	**(16,153)**	**(8,438)**	–	**(438,251)**
Depreciation expense	–	(28,697)	(36,812)	(9,381)	(3,256)	(1,535)	–	(79,681)
Disposals	–	646	13,181	327	2,464	460	–	17,078
Effect of translation into presentation currency	–	11,139	16,836	3,308	1,184	634	–	33,101
As at 31 December 2013	–	**(161,129)**	**(231,788)**	**(50,196)**	**(15,761)**	**(8,879)**	–	**(467,753)**
CARRYING VALUE								
As at 1 January 2013	**1,274,754**	**416,761**	**177,099**	**111,411**	**10,802**	**2,340**	**75,690**	**2,068,857**
As at 31 December 2013	**1,176,535**	**384,383**	**196,418**	**98,971**	**13,460**	**2,273**	**87,772**	**1,959,812**
COST								
As at 1 January 2014	**1,176,535**	**545,512**	**428,206**	**149,167**	**29,221**	**11,152**	**87,772**	**2,427,565**
Additions	95	13,342	34,655	3,384	4,262	2,318	38,856	96,912
Transfer	125	17,785	9,96	–	–	25	(27,895)	–
Disposals	–	(2,206)	(5,825)	(672)	(1,172)	(395)	(727)	(10,997
Effect of translation into presentation currency	(492,149)	(236,014)	(189,928)	(56,993)	(12,876)	(5,295)	(40,627)	(1,033,882)
As at 31 December 2014	**684,606**	**338,419**	**277,068**	**94,886**	**19,435**	**7,805**	**57,379**	**1,479,598**
ACCUMULATED DEPRECIATION								
As at 1 January 2014	–	**(161,129)**	**(231,788)**	**(50,196)**	**(15,761)**	**(8,879)**	–	**(467,753)**
Depreciation expense	–	(25,965)	(34,295)	(8,615)	(2,994)	(1,368)	–	(73,237)
Disposals	–	1,829	5,49	643	1,113	394	–	9,469
Impairment on construction in progress	–	–	–	–	–	–	(344	(344)
Effect of translation into presentation currency	–	75,131	106,693	22,488	7,281	4,011	54	215,658
As at 31 December 2014	–	**(110,134)**	**(153,9)**	**(35,680**	**(10,361)**	**(5,842)**	**(290)**	**(316,207)**
CARRYING VALUE								
As at 1 January 2014	**1,176,535**	**384,383**	**196,418**	**98,971**	**13,46**	**2,273**	**87,772**	**1,959,812**
As at 31 December 2014	**684,606**	**228,285**	**123,168**	**59,206**	**9,074**	**1,963**	**57,089**	**1,163,391**

As at 31 December 2014 the total amount of advances paid for property, plant and equipment recorded in construction in progress equals to 23,871 (31 December 2013: 40,341).

During the years ended 31 December 2014 and 2013 no interest expense was capitalised.

The carrying value of property, plant and equipment held under finance leases at 31 December 2014 was 18,490 (31 December 2013: 36,047). There were no additions of property, plant and equipment under finance leases during the year ended 31 December 2014 (during the year ended 31 December 2013 additions to machinery and equipment: 29,885). Leased assets are pledged as security for the related finance liabilities.

In 2014, the Group acquired property, plant and equipment with an aggregate cost of 96,912 (2013: 127,520). Cash payments of 107,085 were made to purchase property, plant and equipment, (2013: 105,373).

As at 31 December 2013 a part of land in the amount of 6,466 was recorded in the category of assets held for sale due to the planned sale of land area of approximately 166 969 sq.m. by the Group following the expansion of the railway station Novorossiysk. On 16 July 2014 the transaction took place, and the consideration received amounted to 6,488.

13. GOODWILL

	31 December 2014	31 December 2013
Cost	854,998	1,469,661
Accumulated impairment loss	(223,148)	(340,768)
Carrying amount	**631,850**	**1,128,893**
Cost		
Balance at the beginning of the year	1,469,661	1,583,687
Effect of translation into presentation currency	(614,663)	(114,026)
Balance at the end of the year	**854,998**	**1,469,661**
Accumulated impairment loss		
Balance at the beginning of the year	(340,768)	(94,680)
Impairment losses recognised during the year	(29,539)	(259,903)
Effect of translation into presentation currency	147,159	13,815
Balance at the end of the year	**(223,148)**	**(340,768)**

The carrying amount of goodwill was allocated to cash-generating units ("CGU") as follows:

	Cost		Accumulated impairment loss		Carrying amount стоимость	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013
STEVEDORING AND ADDITIONAL SERVICES SEGMENT:						
PTP	436,388	750,111	(113,716)	(152,665)	322,672	597,446
Grain Terminal	84,404	145,082	–	–	84,404	145,082
Novoroslesexport	68,114	117,082	–	–	68,114	117,082
IPP	14,681	25,236	–	–	14,681	25,236
Shipyard	6,647	11,425	(1,675)	(2,879)	4,972	8,546
BSC	1,519	2,611	–	–	1,519	2,611
FLEET SERVICES SEGMENT:						
SFP	204,784	352,004	(107,757)	(185,224)	97,027	166,780
Fleet	38,461	66,11	–	–	38,461	66,110
Total	**854,998**	**1,469,661**	**(223,148**	**(340,768)**	**631,85**	**1,128,893**

Annual impairment test information
For goodwill impairment purposes, the recoverable amount of each CGU is determined based on a value in use calculation, which uses cash flow projections based on actual operating results, business plans approved by management and a discount rate which reflects the time value of money and the risks associated with the cash generating unit.

With the exception of the PTP CGU (see below), the estimated recoverable amount of each of the Group's CGU exceeded its carrying value. For all such CGUs, management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of a CGU to exceed its recoverable amount.

The most significant estimates and assumptions used by management in the value in use calculations as at 31 December 2014 were as follows:

- Cash flow projections were based on the business plans of the Company for the years 2015-2019, approved by management. Such business plans consider significant industrial and macroeconomic trends including change in the structure of transshipment services, emergence of new competitors, etc.;
- Due to highly significant uncertainty in respect to foreign currency rates, cash flow projections for 2015 were prepared in USD using RUR/USD currency rates projections from the Economist Intelligence Unit;
- Cash flow projections for 2016-2019 were then adjusted by inflation rate for each respective year;
- Cash flow projections beyond 2019 were extrapolated using a steady 2.5% per annum growth rate assessed based on past performance of the Group and management expectations of market development; and
- Discount rates were applied for each CGU based on the Group's weighted average cost of capital adjusted for tax effect to arrive at pre-tax rate.

The Group's CGUs operate within a consistent industry within the same geographic regions. As such, within the development of the Group's business plan, management applies consistent assumptions across each CGU.

Discount rates for each CGU were estimated in nominal terms using the weighted average cost of capital basis and amounted to 13.37% for PTP.

Management believes that the values assigned to the key assumptions and estimates represent the most probable assessment of future trends.

Impairment loss – Year ended 31 December 2013

PTP
Due to delays as a result of factors outside of the Group's control, in the construction of the railway to port Primorsk the Group has moved the anticipated start date of the transshipment of oil and oil-products from 2015 to 2017. As a result of this delay, management reduced the expected oil and oil-product transshipment forecasts utilized in the Group's business plan. In addition, Russian export sales were realigned from oil to oil products. Accordingly, the volumes of oil transshipment were adjusted for a decreasing trend and the volumes of oil-product transshipment were adjusted for an increasing trend.

The annual goodwill impairment test was performed based on the updated projections of oil and oil products transshipment volumes. As a result goodwill attributable to the stevedoring and additional services (Primorsk) segment was impaired for 69,554 as at 31 December 2013.

SFP
In accordance with the reduction in the forecasts of services volumes due to heightened competition resulting from a new entrant to the market, management reduced the expected forecasts applied in the Group's business. The annual goodwill impairment test was performed based on the updated projections of services volumes. As a result goodwill attributable to the fleet services (Primorsk) segment was impaired for 190,349 as at 31 December 2013.

Impairment loss – Year ended 31 December 2014

PTP
In 2014, the construction of a railway terminal for oil-product transhipment in port Primorsk was interrupted and completion of construction was further delayed. As a result, management reduced the expected oil and oil-product transshipment forecasts utilized in the Group's business plan. Also, following the trends in oil and oil products export volumes mentioned above, the volumes of oil and oil-product transshipment were adjusted accordingly.

Based on the value in use calculations, the Group recorded an impairment loss attributable to stevedoring and additional port services (Primorsk) segment in amount of 29,539 for the year ended 31 December 2014.

Management prepared a sensitivity analysis relating to the PTP CGU and determined that, in each case in isolation and for the year ended 31 December 2014 (i) a 10% reduction in revenue would lead to an increase to the aggregate impairment loss recognised of 150,347; (ii) an increase in capital expenditure of 10% would lead to an increase to the aggregate impairment loss recognised of 7,021; and, (iii) a 10% increase in the costs applied in the impairment testing would lead to an increase to the aggregate impairment loss recognised of 52,082. These are the most sensitive assumptions used in the impairment test for this particular CGU.

14. MOORING RIGHTS

	31 December 2014	31 December 2013
Cost	6,336	10,891
Accumulated amortisation	(2,734)	(4,146)
Carrying value	**3,602**	**6,745**
COST		
Balance at the beginning of year	10,891	11,736
Effect of translation into presentation currency	(4,555)	(845)
Balance at the end of the year	**6,336**	**10,891**
ACCUMULATED AMORTISATION		
Balance at the beginning of year	(4,146)	(3,872)
Charge for the year	(480)	(568)
Effect of translation into presentation currency	1,892	294
Balance at the end of the year	**(2,734)**	**(4,146)**

Mooring rights represent the long-term lease rights of hydro technical infrastructure (e.g. berths, piers and marine vessels) owned by the state.

15. OTHER FINANCIAL ASSETS

	31 December 2014	31 December 2013
CURRENT		
Deposits	409	970
Loans issued	270	4,062
Total current	**679**	**5,032**
NON-CURRENT		
Loans issued	17,999	18,615
Total non-current	**17,999**	**18,615**

As at 31 December 2014 short-term deposits placed in LLC Vneshprombank ("Vneshprombank") consist of deposits denominated in RUR with a fixed interest rate of 6% per annum (2013: variable from 6% to 11.75%) and deposits denominated in USD with an interest rate of 2.75% per annum (2013: 2.75%).

As at 31 December 2014 current loans issued in RUR include loans given to employees of the Group and to other related parties with interest rates varying from 7% to 8.50% per annum (2013: from 7% to 8.50%).

As at 31 December 2014 non-current loans issued consist of loans issued in USD to LLC Novorossiysk Fuel Oil Terminal ("NFT"), a joint venture created in 2009 (Note 16), in the amount of 17,998 (2013: 17,998) maturing in March 2020 with an interest rate of 7% per annum and others.

As at 31 December 2013 non-current loans issued consist of loans given to employees of the Group denominated in RUR with an interest rate of 5% per annum and long-term loans issued in USD to other related parties with interest rates varying from 5% to 7% per annum.

As of 31 December 2014 an allowance for loans of 2,941 issued was recognized in full due to uncertainty of their recoverability.

16. INVESTMENT IN JOINT VENTURE

NFT is a fuel oil terminal in Novorossyisk with maximum transshipment capacity of four million tons per year.

The Group owns 50% of NFT and its share in (loss)/profit of the joint venture for the years 2014 and 2013 recognised in comprehensive loss amounted to (7,123) and 1,757, respectively.

By the end of 2014 the Group's share of losses in NFT exceeded the carrying value of it's investment by 5,859. The Group discontinued its recognition of losses when the carrying value of the investment was written down to zero, as the Group has no legal or constructive obligation to fund NFT's activities.

Joint venture	Ownership % held	
	31 December 2014	31 December 20143
NFT	50.00%	50.00%

Summarised financial information of NFT is represented below:

	31 December 2014	31 December 2013
Current assets	25,578	14,77
Non(current assets	80,93	141,08
Total assets	**106,508**	**155,85**
Current liabilities	(19,757)	(19,868)
Non(current liabilities	(96,326)	(113,551)
Total liabilities	**(116,083)**	**(133,419)**
Net assets	**(9,575)**	**22,431**
Group's share of joint venture net assets	**(4,788)**	**11,216**
Elimination of unrealised profit	(1,071)	(1,464)
Unrecognised share of losses	5,859	–
Carrying value of investment	**–**	**9,752**

The above amounts of assets and liabilities include the following:

	31 December 2014	31 December 20143
Cash and cash equivalents	19,241	9,827
Current financial liabilities (excluding trade and other payables and provisions)	(17,192)	(17,418)
Non-current financial liabilities (excluding trade and other payables and provisions)	(91,882)	(105,572)
	Year ended	
	31 December 2014	31 December 20143
Revenue	67,425	73,105
Operating profit	26,532	24,309
(Loss)/profit for the year	(28,149)	3,514
Group share of (loss)/profit for the year at 50%	(14,075)	1,757
Other comprehensive loss	(3,857)	(1,57)

The above (loss)/profit for the year includes the following:

	Year ended	
	31 December 2014	31 December 20143
Depreciation	(13,825)	(15,741)
Interest income	223	318
Interest expense	(7,902)	(9,432)
Income tax	6,275	(1,246)

Loans issued by the Group to NFT are disclosed in Note 15.

As at 31 December 2014 and 31 December 2013 the Group pledged its 50% share in NFT under a credit agreement between NFT and Raiffeisenbank. The Group also issued a guarantee of 20,000 to secure NFT obligations under the credit agreement. NFT also concluded pledge agreements with Raiffeisenbank to secure obligations under the credit agreement.

It was agreed that dividends and other payments to shareholders should not be made without prior written consent of Raiffeisenbank.

During the 2014 NFT repaid part of the loan of Raiffeisenbank in the amount of 16,296. Interest liabilities are repaid on schedule.

17. DETAILS OF SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
	31 December 2014	31 December 2013	2014	2013	31 December 2014	31 December 2013
Shipyard	34.82%	34.82%	4,363	834	11,010	13,493
Fleet	4.81%	4.81%	4,523	1,83	4,815	9,907
Novoroslesexport	8.62%	8.62%	5,891	2,283	9,342	11,340
Other subsidiaries with non-controlling interests					354	437
Total					**25,521**	**35,177**

The "Southern Shipbuilding and Repair Center", a wholly owned subsidiary of JSC "United Shipbuilding Corporation", is a shareholder with significant influence over Shipyard. The owner of 100% of the JSC "United Shipbuilding Corporation" ordinary shares is the Russian Federation represented by the Federal Property Agency of the Russian Federation.

Summarised financial information in respect of Shipyard is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	31 December 2014	31 December 2014
Current assets	18,197	17,395
Non-current assets	18,174	28,529
Current liabilities	(2,288)	(3,172)
Non-current liabilities	(2,464)	(4,000)
Equity attributable to shareholders of the parent company	20,609	25,259
Non-controlling interests	11,010	13,493
	Year ended	
	31 December 2014	31 December 2013
Revenue	26,805	22,736
Profit for the year attributable to:		
Equity shareholders of the parent company	8,168	1,562
Non-controlling interests	4,363	834
Profit for the year	**12,531**	**2,396**
Other comprehensive loss attributable to:		
Equity shareholders of the parent company	(12,818)	(1,963)
Non-controlling interests	(6,846)	(1,051)
Other comprehensive loss for the year	**(19,664)**	**(3,014)**
Total comprehensive loss attributable to:		
Equity shareholders of the parent company	(4,650)	(401)
Non-controlling interests	(2,483)	(217)
Total comprehensive loss for the year	**(7,133)**	**(618)**
Net cash inflow/(outflow) from:		
Operating activities	8,542	4,641
Investing activities	(5,035)	(4,395)
Effect of exchange rate changes on cash and cash equivalents	(536)	77
Net cash inflow	**2,971**	**323**

No dividends were declared to non-controlling interests in 2014 and 2013.

Summarised financial information in respect of Fleet is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	31 December 2014	31 December 2013
Current assets	80,945	167,320
Non-current assets	28,321	48,819
Current liabilities	(8,939)	(9,746)
Non-current liabilities	(230)	(435)
Equity attributable to shareholders of the parent company	95,282	196,051
Non-controlling interests	4,815	9,907
	Year ended	
	31 December 2014	31 December 2013
Revenue	168,618	203,716
Profit for the year attributable to:		
Equity shareholders of the parent company	89,567	36,219
Non-controlling interests	4,523	1,83
Profit for the year	**94,09**	**38,049**
Other comprehensive loss attributable to:		
Equity shareholders of the parent company	(89,972)	(13,428)
Non-controlling interests	(4,546)	(678)
Other comprehensive loss for the year	**(94,518)**	**(14,106)**
Total comprehensive (loss)/income attributable to:		
Equity shareholders of the parent company	(405)	22,791
Non-controlling interests	(23)	1,152
Total comprehensive (loss)/income for the year	**(428)**	**23,943**
Net cash inflow/(outflow) from:		
Operating activities	23,853	25,871
Investing activities	37,755	2,277
Financing activities	(105,298)	–
Effect of exchange rate changes on cash and cash equivalents	11,091	(165)
Net cash (outflow)/inflow	**(32,599)**	**27,983**

In 2014 dividends to non-controlling interests were declared in the amount of 5,069 and were paid in the amount of 4,934. No dividends were declared to non-controlling interests in 2013.

Summarised financial information in respect of Novoroslesexport is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	31 December 2014	31 December 2013
Current assets	61,530	47,321
Non-current assets	59,575	101,778
Current liabilities	(7,389)	(5,559)
Non-current liabilities	(5,335)	(11,984)
Equity attributable to shareholders of the parent company	99,039	120,216
Non-controlling interests	9,342	11,340
	Year ended	
	31 December 2014	31 December 2013
Revenue	86,590	69,069
Profit for the year attributable to:		
Equity shareholders of the parent company	62,443	24,202
Non-controlling interests	5,891	2,283
Profit for the year	**68,334**	**26,485**
Other comprehensive loss attributable to:		
Equity shareholders of the parent company	(64,352)	(8,166)
Non-controlling interests	(6,071)	(770)
Other comprehensive loss for the year	**(70,423)**	**(8,936)**
Total comprehensive (loss)/income attributable to:		
Equity shareholders of the parent company	(1,909)	16,036
Non-controlling interests	(180)	1,513
Total comprehensive (loss)/income for the year	**(2,089)**	**17,549**
Net cash inflow/(outflow) from:		
Operating activities	43,422	33,773
Investing activities	(5,664)	(10,602)
Financing activities	(23,221)	(2,333)
Effect of exchange rate changes on cash and cash equivalents	(120)	(192)
Net cash inflow	**14,417**	**20,646**

In 2014 dividends to non-controlling interests were declared in the amount of 1,818 and were paid in the amount of 968. No dividends were declared to non-controlling interests in 2013.

18. INVENTORIES

	31 December 2014	31 December 2013
Materials and low value items	4,581	7,461
Goods for resale	3,93	3,383
Fuel	1,079	1,909
Less: allowance for obsolete and slow-moving inventories	(521)	(302)
Total	**9,069**	**12,451**

19. TRADE AND OTHER RECEIVABLES, NET

	31 December 2014	31 December 2013
Trade receivables (RUR)	12,876	18,234
Trade receivables (USD)	6,755	18,429
Other receivables and prepayments	5,855	6,352
Interest receivable	1,444	2,806
Less: allowance for doubtful trade and other receivables	(5,951)	(2,966)
Total	**20,979**	**42,855**

The average credit period for the Group's customers is 7 days. During this period no interest is charged on the outstanding balances. Thereafter, interest is charged according to the contracts determined on a customer specific basis, determined based on size, volume and history of operations with the Group at between 0.3% and 15% per month on the outstanding balance.

The Group uses an internal credit system to assess the potential customer's credit quality. Of the trade receivables balance at the end of the year, the Group's 8 largest customers (2013: 6) in total represent 49% (2013: 52%) of the outstanding balance.

Included in the Group's receivable balance are debtors with carrying value of 4,719 (2013: 4,146) which are past due at the respective reporting date but not impaired and which the Group still considers recoverable.

A maturity analysis of trade and other receivables is as follows:

	31 December 2014	31 December 2013
Not past due and not impaired	16,260	38,709
Past due but not impaired		
less than 45 days	4,103	2,642
45-90 days	63	496
90-180 days	1	281
180-365 days	356	389
Over 1 year	196	338
	4,719	**4,146**
Past due and impaired	**5,951**	**2,966**
Total	**26,93**	**45,821**

The Group does not hold any collateral over these outstanding balances.

The movement in the allowance for doubtful trade and other receivables is as follows:

	Year ended	
	31 December 2014	31 December 2013
As at beginning of the year	2,966	3,292
Impairment loss recognised in the consolidated statement of comprehensive loss	5,287	509
Amounts written-off as uncollectable	(197)	(601)
Effect of translation into presentation currency	(2,105)	(234)
As at end of the year	5,951	2,966

Past due trade receivables and other receivables were provided for based on estimated irrecoverable amounts. These were determined by reference to past experience, and are regularly reassessed based on the facts and circumstances existing as at each reporting date.

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of 5,951 (2013: 2,966) due from companies which have been considered as insolvent based on the Group's legal department analysis. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected proceeds.

20. CASH AND CASH EQUIVALENTS

	31 December 2014	31 December 2013
Bank deposits in USD	269,858	335,607
Bank deposits in RUR	37,476	77,958
Bank deposits in EUR	633	672
Current accounts in USD	487	923
Current accounts in RUR	2,103	5,768
Current accounts in EUR	147	2
Cash in hand	19	36
Total	**310,723**	**420,966**

Bank deposits as at 31 December 2014 mainly represent deposits with Vneshprombank, OJSC Bank Otkritie Financial Corporation, Sberbank of Russia (Sberbank) and JSC VTB Bank with an original maturity of three months or less. Bank deposits with original maturity of three months or less, placed in Vneshprombank, are represented by deposits denominated in RUR with interest rates from 12.10% to 29.85% per annum, deposits denominated in USD with interest rates varying from 2.75% to 9.75% per annum and deposits denominated in EUR with an interest rate 7.15% per annum. Bank deposits with original maturity of three months or less, placed in OJSC Bank Otkritie Financial Corporation, are represented by deposits denominated in RUR with interest rates varying from 11.58% to 29% per annum and deposits denominated in USD with interest rates from 4.35% to 6% per annum. Deposit denominated in RUR, placed in Sberbank, are represented by deposit with interest rate 9.68% per annum. Deposits denominated in RUR, placed in JSC VTB Bank, are represented by deposits with interest rates from 13.13% to 13.21% per annum.

Bank deposits as at 31 December 2013 mainly represent deposits with Vneshprombank, OJSC NOMOS-BANK (NOMOS-BANK) and Sberbank with an original maturity of three months or less. Bank deposits with original maturity of three months or less, placed in Vneshprombank, are represented by deposits denominated in USD with interest rates from 2.75% to 7% per annum, deposits denominated in RUR with interest rates varying from 6% to 9.30% per annum and deposits denominated in EUR with an interest rate 6% per annum. Deposits denominated in RUR, placed in NOMOS-BANK, are represented by deposits with interest rates from 6.25% to 6.50% per annum. Deposits denominated in RUR, placed in Sberbank, are represented by deposits with interest rates from 4.38% to 6.29% per annum.

21. SHARE CAPITAL

The share capital of the Group consists of 19,259,815,400 ordinary shares authorised, issued, and fully paid with a par value of 0.054 US cents (0.015 Russian roubles) per share. Authorised share capital at par is 10,471. Each ordinary share has equal voting rights.

The number of shares outstanding is 18,743,128,904 as of 31 December 2014 and 2013.

22. DEBT

	Interest rate	Maturity date	31 December 2014	31 December 2013
Unsecured borrowings				
Bonds (RUR)	9.0%	April 2015	72,18	123,909
Unsecured bank loans (RUR)				
Sberbank	8.5%	November 2014	-	82,274
Sberbank	8.5%	November 2014	-	3,06
Total unsecured borrowings			72,18	209,243
Secured bank loans (USD)				
Sberbank	LIBOR 3M + 5%	January 2018	1,649,939	1,946,802
Total debt			**1,722,119**	**2,156,045**
Current portion of long-term borrowings			(1,722,119)	(388,666)
Total non-current debt			**–**	**1,767,379**

Sberbank

In January 2011 NCSP received a loan in the amount of 1,950,000 from Sberbank to be used for acquisition of PTP. The loan has the following terms:

- The term of the facility is seven years;
- Floating interest of LIBOR 3M + 4.85% per annum is applied during the first three years of the loan, of LIBOR 3M + 5% per annum – during the last four years;
- A lump sum commission of 11,700 (or 0.6%) was paid for the receipt of the loan;
- The loan is secured by a pledge of 50.1% of the Company's shares and a guarantee of PTP; and
- Certain financial covenants are imposed on the Group (e.g. restrictions as to the Group's debt to equity ratio and net debt to earnings before interest, income taxes, depreciation and amortization ratio, and reduction of NCSP's market share price, etc.)

Rouble bonds

On 2 May 2012 the Group issued a Russian rouble bond tranche BO-02 with a par value of 4 billion RUR (USD 136 million) with a maturity up to 29 April 2015. The coupon on the bond tranche is 9% per annum, payable every 182 days starting 31 October 2012.

On 4 May 2012 in conjunction with the placement of the rouble bonds, the Group entered into cross-currency and interest rate swap agreement (Note 24).

As at 31 December 2014, the average effective borrowing rate relating to the Group's debt was 5.4% per annum (31 December 2013: 5.48% per annum).

The Group borrowings as of 31 December 2014 are repayable as follows:

	Principal amount	Contractual interest liability	Total
Due within three months	1,498,191	22,495	1,520,686
Due from three to six months	145,623	23,908	169,531
Due from six months to twelve months	74,548	41,434	115,982
	1,718,362	**87,837**	**1,806,199**
Between 1 and 2 years	–	74,318	74,318
Between 2 and 5 years	–	54,469	54,469
Total	**1,718,362**	**216,624**	**1,934,986**

Contractual interest liability are calculated based on assumption that no early repayment claims will be received from Sberbank and that the loan will be repaid according to payment schedule under the agreement.

The Group borrowings as of 31 December 2013 are repayable as follows:

	Principal amount	Contractual interest liability	Total
Due within three months	21,304	26,888	48,192
Due from three to six months	170,549	32,623	203,172
Due from six months to twelve months	191,83	53,963	245,793
	383,683	**113,474**	**497,157**
Between 1 and 2 years	270,486	90,069	360,555
Between 2 and 5 years	1,496,892	128,757	1,625,649
Total	**2,151,061**	**332,3**	**2,483,361**

For variable rate borrowings, the contractual interest liability for future periods was calculated based on the effective borrowing rate relating to the Group's variable rate borrowings as at 31 December 2014 of 5.25% (31 December 2013: 5.10%).

The financial obligations of the Group consist primarily of borrowings denominated in USD.

The fluctuation of the USD exchange rate leads to foreign exchange rate gains or losses which affect the financial performance of the Group. During the year ended 31 December 2014, the foreign exchange loss on financial obligations decreased the Group's profit before income tax by 1,007,139 (during the year ended 31 December 2013, the foreign exchange loss on financial obligations decreased the Group's profit before income tax by 144,399).

As of the reporting date covenants under Sberbank's secured US Dollar loan agreement were breached (Note 1) so the loan amount was reclassified to current liabilities and the Group's current liabilities exceeded the current assets.

23. FINANCE LEASE

The Group rents transshipment machinery and equipment under finance lease agreements with terms ranging from two to five years. The Group has the right to purchase the equipment after expiration of lease contracts at a purchase price close to zero. Interest rates for all obligations under the finance lease agreements are fixed at the dates of the agreements at rates ranging from 5.13% to 17.14% per annum.

	Minimum lease payments	Minimum lease payments	Present value of lease payments	Present value of lease payments
	as at 31 December 2014	as at 31 December 2013	as at 31 December 2014	as at 31 December 2013
Less than one year	10,901	12,843	8,809	9,709
In the second and fifth year	12,892	24,769	10,437	20,183
Thereafter	-	78	-	77
Less: future financing costs	(4,547)	(7,721)	-	-
Present value of minimum lease payments	**19,246**	**29,969**	**19,246**	**29,969**

	31 December 2014	31 December 2013
Non-current obligations under finance leases	10,437	20,26
Current portion of obligations under finance leases	8,809	9,709
	19,246	**29,969**

The Group's obligations under finance leases are secured by the lessors' rights over the leased assets disclosed in Note 12.

24. CROSS-CURRENCY AND INTEREST RATE SWAP

On 4 May 2012, the Group entered into a cross-currency interest rate swap agreement with CJSC Bank Credit Suisse (Moscow) related to the bond tranche BO-02 (Note 22). The Group agreed to pay interest in USD at a rate of 3.85% per annum based on a notional amount of USD 135 million, in exchange for interest paid in RUR at a rate of 9% per annum based on a notional of RUR 4 billion (USD 136 million) over three years and to exchange USD 135 million for RUR 4 billion at maturity of the bond tranche. Settlements of interest and principal are made on a net basis.

This swap agreement was recorded as a derivative financial instrument recognised at fair value through profit and loss with changes in fair value recorded within finance costs.

The fair value measurement is based on the applicable forward curves as determined based on the foreign currency rate, interest rates and settlement dates of the swap contract. The discount rates were based on a zero coupon yield curve. The Group determined that the impact of the non-performance risk on measurement of the fair value of swap was not significant. Changes in the fair value of the swap arise primarily due to the appreciation of USD forward rates against the RUR. As the fair value measurement is based on the inputs derived from observable market data, the instrument is classified as Level 2 in the fair value hierarchy.

The most significant estimates and assumptions used in the fair value measurement as at the reporting date are as follows:

Settlement dates	Expected rate, RUR / 1 USD	Discount rate, %
29 April 2015	64.42	0.26

The table below details the Group's sensitivity to depreciation and appreciation of currency exchange rates used in the fair value measurement (US Dollar against the Russian RUR by 10 RUR at each settlement date). The movement applied is based on the forecasted range of reasonable fluctuations over the next three years.

	31 December 2014	
	Depreciation of US Dollar exchange rate by 10 RUR	Appreciation of US Dollar exchange rate by 10 RUR
Gain/(loss) from cross-currency and interest rate swap	11,913	(8,711)

The following table shows details of the contractual maturities of the cross-currency and interest rate swap. The data is based on the undiscounted cash flows of the Group's financial liabilities based on the earliest date at which settlement may be required. The table shows the contractual interest asset, representing cash flows of interest payments, and the principal obligations.

	Principal amount	Contractual interest asset	Total
Due from three to six months	(83,633)	179	(83,454)
Total	**(83,633)**	**179**	**(83,454)**

25. EMPLOYEE BENEFITS

Unfunded defined benefit plans

The Group has defined benefit plans for employees of NCSP and some of its subsidiaries (Novoroslesexport, Shipyard and Fleet). Certain one-time benefits are stipulated by the plans, and upon attainment of a retirement age the employees are entitled to regular retirement benefits. Also post-retirement benefits are provided to these employees ranging from RUR 300 (USD 8) to RUR 700 (USD 18) per month per employee, depending on each employee's years of service and qualifications.

The most recent actuarial valuation of the defined benefit obligation was carried out as at 31 December 2014. The present value of the defined benefit obligation, the related current service cost and the past service cost were all measured using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	Valuation at	
	31 December 2014	31 December 2013
Discount rate	13%	8%
Employees turnover per annum	5%	5%
Expected annual rate of salary increase	10%	10%
Expected annual rate of post retirement benefits increase	0%	0%
Average residual period of work	7 years	7 years

Amounts recognised in profit or loss in respect of these defined benefit plans are as follows:

	Year ended	
	31 December 2014	31 December 2013
Interest on obligation	636	638
Current service cost	219	263
Past service cost	367	278
Total	**1,222**	**1,179**

The defined benefit obligation charge for the year has been included in cost of services within profit or loss.

The amount of actuarial gains recognized during the years ended 31 December 2014 and 2013 relates to changes in discount rate used as principal assumptions for actuarial valuation.

In 2014, the number of retired employees who received benefits was 2,604 (2013: 2,588).

The amount included in the statement of financial position arising from the entity's obligation in respect of its defined benefit plans is as follows:

	31 December 2014	31 December 2013
Present value of unfunded benefit obligation	4,448	9,184
Net liability arising from defined benefit obligation	**4,448**	**9,184**

Movements in the present value of the defined benefit obligations in the current period were as follows:

	Year ended	
	31 December 2014	31 December 2013
Opening defined benefit obligation	**9,184**	**9,551**
Included in cost of service	**1,222**	**1,179**
Current service cost	219	263
Interest cost	636	638
Past service cost	367	278
Benefits paid	(631)	(671)
Actuarial gains in other comprehensive loss	(1,603)	(178)
Effect of translation to presentation currency	(3,724)	(697)
Closing defined benefit obligation	**4,448**	**9,184**

The history of experience adjustments for defined benefit plan is as follows:

	31 December 2014	31 December 2013	31 December 2012	31 December 2011	31 December 2010
Present value of defined benefit obligation	4,448	9,184	9,551	7,286	6,906
Experience adjustments on plan liabilities	(1,603)	(178)	1,624	46	(3,727)

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate increases by 1%, the defined benefit obligation would decrease by 181;
- If the expected salary growth increases by 1%, the defined benefit obligation would increase by 78.
- If the death rate decreases by 10%, the defined benefit obligation would increase by 121.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

Defined contribution plans

Contributions to the Russian Federation State Pension Fund charged to profit or loss amounted to 19,708 and 21,114 for the years ended 31 December 2014 and 2013, respectively, which related to employee services rendered during each year.

26. TRADE AND OTHER PAYABLES

	31 December 2014	31 December 2013
Trade payables (RUR)	2,825	9,345
Trade payables (USD)	74	53
Trade payables (EUR)	451	76
Payables for property, plant and equipment	4,207	3,346
Other accounts payable	266	9,279
Total	**7,823**	**22,099**

The average credit period for trade payables relating to the purchase of inventories (e.g. fuel) and services (e.g. utilities) is 15 days. No interest is charged on the outstanding balance for trade and other payables during the credit period. Thereafter, interest may be charged from 0.3% to 15% per month on the outstanding balance.

The maturity profile of trade and other payables is as follows:

	31 December 2014	31 December 2013
Past due	440	10,364
Due within three months	6,554	10,813
Due from three to six months	133	569
Due from six months to twelve months	696	353
Total	**7,823**	**22,099**

27. ACCRUED EXPENSES

	31 December 2014	31 December 2013
Accrued salaries and wages	10,199	15,313
Tax contingencies	6,169	-
Other accrued expenses	1,142	900
Accrued professional service expenses	229	721
Total	**17,739**	**16,934**

At the reporting date, the Group's subsidiary IPP is involved in legal proceedings with the Russian Federation tax authorities in connection with a decision reached by these authorities relating to VAT. In particular, IPP applies a VAT rate of 0% when providing transshipment and stevedoring services. The Russian Federation tax authorities have asserted that a rate of 18% is required to be applied.

The full amount of the additional assessed taxes of 6,169 was provided for by the Group because it is probable that court decision will be for the benefit of tax authorities.

28. RELATED PARTY TRANSACTIONS

Transactions between NCSP and its subsidiaries are eliminated on consolidation and are not disclosed in this Note. Related party receivables and payables resulting from operating activities are settled in the normal course of business. Details of transactions with related parties are disclosed below.

OMIRICO LIMITED, which owns 50.1% of the Group, is the ultimate parent of the Group. OMIRICO LIMITED is registered under the legislation of the Republic of Cyprus, and is jointly controlled by OJSC Transneft and members of the Magomedov family.

The owner of 100% of the OJSC Transneft ordinary shares is the Russian Federation represented by the Federal Property Agency of the Russian Federation. The OJSC Transneft preferential shares are owned by various legal entities and private individuals and are traded on the secondary stock market.

The Federal Property Agency of the Russian Federation owns a direct 20% interest in NCSP and has significant influence over the Group, and significant balances and transactions with state-controlled entities are considered to be transactions with related parties. During the years ended 31 December 2014 and 2013, the Group transacted with Sberbank, Russian Agricultural Bank, VTB Bank, Rosneft, Russian Railways and other state-controlled entities (apart from OJSC Transneft).

Transactions with related parties are carried out in the normal course of business and on an arm's length basis. The amounts outstanding will be settled in cash. No guarantees have been given or received. No provisions have been made in respect of the amounts owed by related parties except those disclosed in Note 15.

Transactions with state-controlled entities:

	Year ended	
	31 December 2014	31 December 2013
Sales		
Sales of goods and services	108,666	99,982
Interest income	588	397
Purchases		
Services and materials received	7,472	15,052
Finance costs	**104,981**	**113,58**

Balances with state-controlled entities:

	31 December 2014	31 December 2013
Cash and cash equivalents		
Cash and cash equivalents	3,259	7,626
Receivables		
Trade and other receivables	683	2,807
Advances to suppliers	230	865
Payables		
Trade and other payables	26	66
Advances received from customers	888	3,045
Debt		
Long-term debt	–	1,645,339
Current portion of long-term debt	1,649,939	386,797

Transactions and balances with NFT, a joint venture of the Group, are disclosed below:

Transactions with NFT:

	Year ended	
	31 December 2014	31 December 2013
Sales and income		
Sales of goods and services	12,705	12,143
Interest income	1,027	1,179
Purchases		
Services and materials received	143	170

Balances with NFT:

	31 December 2014	31 December 2013
Receivables		
Trade and other receivable	200	–
Long-term loans and interest receivable	20,859	19,6
Payables to related parties		
Advances received from customers	3	907

Other related parties include parties controlled by the shareholders of the ultimate parent and their subsidiaries and associates.

Transactions with other related parties:

	Year ended	
	31 December 2014	31 December 2013
Sales		
Sales of goods and services	67,268	60,899
Interest income	51	276
Purchases		
Services and materials received	50,162	56,701

Balances with other related parties:

	31 December 2014	31 December 2013
Receivables		
Trade and other receivables	738	2,301
Advances to suppliers	3,296	2,281
Short-term loans and interest receivable	52	4,171
Long-term loans and interest receivable	–	610
Payables		
Trade and other payables	1,576	11,022
Advances received from customers	1,858	2,102

Compensation of key management personnel

For the years ended 31 December 2014 and 2013, the remuneration of the directors and members of key management was 13,854 (including termination benefits in the amount of 1,454) and 16,678 (including termination benefits in the amount of 1,446), respectively, which represented short-term employee benefits and social security contributions.

The remuneration of directors and key executives is determined by the Board of Directors with regard to the performance of individuals and market trends.

29. CASH FLOWS FROM OPERATING ACTIVITIES

	Year ended	
	31 December 2014	31 December 2013
Loss for the year	**(414,663)**	**(104,706)**
Adjustments for:		
Depreciation and amortisation	74,841	81,456
Finance costs	200,733	137,307
Other operating income, net	(67)	(342)
Foreign exchange loss, net	789,115	125,353
Income tax	(77,350)	36,601
Defined benefit obligation expense	591	508
Interest income	(33,437)	(25,465)
Impairment of goodwill	29,539	259,903
Impairment loss recognised on trade and other receivables	5,287	509
Change in allowance for spare parts and slow-moving inventories	222	(1,392)
Share of loss/(profit) in joint venture, net	7,123	(1,757)
Other adjustments	6,112	278
	588,046	**508,253**
Working capital changes:		
Increase in inventories	(2,985)	(5,473)
Increase in receivables	(2,880)	(757)
(Decrease)/Increase in liabilities	(1,621)	2,491
Cash flows generated from operating activities	**580,560**	**504,514**

30. COMMITMENTS AND CONTINGENCIES

Legal proceedings

The Group is involved in various claims and legal proceedings arising in the ordinary course of business. The Group believes that resolution of such matters will not have a material adverse effect on its financial performance and liquidity based on information currently available.

Taxation contingencies in the Russian Federation

Russian tax authorities have a period of up to three years to re-open tax declarations for further inspection. Changes in the tax system that may be applied retrospectively by authorities could affect the Group's previously submitted and assessed tax declarations.

While management believes that it has adequately provided for tax liabilities based on its interpretation of current and prior legislation, the risk remains that the tax authorities in the Russian Federation could take differing positions with regard to interpretative issues. In connection with this fact, the Group has a potentially significant risk of additional taxation, fines and penalties.

Operating environment

Emerging markets such as Russian Federation are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russian Federation continue to change rapidly, and tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russian Federation is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market, which decreased significantly during 2014. Management is unable to reliably estimate the effects of any further price fluctuations on the Company's financial position.

Starting from March 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. International credit agencies downgraded Russia's long-term foreign currency sovereign rating with a negative outlook. In December 2014, the Central Bank of the Russian Federation significantly increased its key interest rate, which resulted in growth of interest rates on domestic borrowings. The exchange rate of the Russian Rouble depreciated significantly. These developments may result in reduced access of the Russian businesses to international capital and export markets, capital flight, further weakening of the Rouble and other negative economic consequences.

The impact of further political and economic developments in Russia on future operations and financial position of the Group is at this stage difficult to determine.

Environmental matters

The Group is subject to extensive federal and local environmental controls and regulations.

Management believes that the Group's operations are in compliance with all current existing environmental legislation in the Russian Federation. However, environmental laws and regulations continue to evolve. The Group is unable to predict the timing or extent to which those laws and regulations may change, or the cost thereby.

Insurance

The Group's entities do not have full coverage for property damage, business interruption and third party liabilities. Until the Group obtains comprehensive insurance coverage exceeding the book value of property, plant and equipment, there is a risk that the loss or destruction of certain assets could have a material adverse effect on Group's operations and financial position.

Operating lease arrangements

The Group rents land plots, mooring installations, vessels and equipment under operating lease agreements with the Russian Federation and related parties. These arrangements have lease terms of between 3 and 49 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the land and mooring installations at the expiry of the lease period.

Future minimum lease payments under non-cancellable operating leases with initial terms in excess of one year are as follows:

	31 December 2014	31 December 2013
Within 1 year	42,731	70,472
Between 1 and 2 years	42,483	69,243
Between 2 and 3 years	41,933	68,478
Between 3 and 4 years	39,482	67,739
Between 4 and 5 years	36,278	63,547
Thereafter	543,366	1,008,715
Total	**746,273**	**1,348,194**

31. CAPITAL COMMITMENTS

As at 31 December 2014 and 2013, the Group had the following commitments for acquisition of property, plant and equipment and construction works at:

	31 December 2014	31 December 2013
NCSP	54,111	15,267
Novoroslesexport	5,493	3,450
IPP	1,432	5,182
BSC	1,009	3,692
Shipyard	160	40
Fleet	25	–
PTP	25	103
Total	**62,255**	**27,734**

As at 31 December 2014 and 31 December 2013 there were no capital commitments relating to obligations under finance lease contracts.

As at 31 December 2014 the Group's share of the capital commitments relating to its joint venture, NFT, is equal to zero (31 December 2013: 2,710).

32. FAIR VALUE OF FINANCIAL INSTRUMENTS (EXCLUDING DERIVATIVES)

The fair value of financial assets and liabilities is determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions which are traded on active liquid markets are determined with reference to quoted market prices; and
- The fair values of other financial assets and financial liabilities (excluding derivatives) are determined in accordance with generally accepted pricing models based on discounted cash flow analyses, using prices from observable current market transactions.

As at 31 December 2014 and 2013, management believes that the carrying values of financial assets (Notes 15, 19 and 20) and financial liabilities recorded at amortised cost (Note 22 and 26)in the consolidated financial statements approximate their fair values except for obligations under finance lease.

The Group classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. See Note 3, Basis of preparation.

The fair value of Level 2 financial liabilities was calculated by means of the discounted cash flow valuation technique based on the average interest rates applied to similar bank loans provided to non-financial organizations in the reporting period. The information about the discount rates was obtained from the Bank Statistics Bulletin of the Russian Central Bank. As at 31 December 2014 the discount rate used for obligations under finance lease comprised 6.57% (2013: 6.74%).

The fair value compared to the carrying value of long-term financial liabilities as at 31 December 2014 and 2013 is as follows:

	31 December 2014		31 December 2013	
	Carrying value	Fair value	Carrying value	Fair value
Obligations under finance lease (Level 2)	19,246	21,541	29,969	33,395

33. RISK MANAGEMENT

Capital risk management

The Group manages its capital to ensure that entities of the Group will be able to continue as a going concern while maximising the return to the equity holder through the optimisation of the debt and equity balance and meet debt to equity ratio covenant of the loan agreement with Sberbank (Note 22). Management of the Group reviews the capital structure on a regular basis. Based on the results of this review, the Group takes steps to balance its overall capital structure through the payment of dividends as well as the issuance of new debt or the redemption of existing debt.

Major categories of financial instruments

The Group's principle financial liabilities comprise loans and borrowings, trade and other payables.

The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group has various financial assets such as trade and other receivables, investments in securities and cash and cash equivalents.

	31 December 2014	31 December 2013
Financial assets		
Cash and cash equivalents	310,723	420,966
Deposits	409	970
Trade and other receivables including long-term	24,157	44,488
Loans issued	18,269	22,677
Total financial assets	**353,558**	**489,101**
Financial liabilities carried at amortised cost		
Borrowings	(1,722,119)	(2,156,045)
Trade and other payables	(3,642)	(19,048)
Payables for property, plant and equipment	(4,892)	(4,352)
Finance lease	(19,246)	(29,969)
	(1,749,899)	**(2,209,414)**
Financial liabilities at FVTPL		
Cross-currency and interest rate swap	(72,820)	(14,411)
	(72,820)	**(14,411)**
Total financial liabilities	**(1,822,719)**	**(2,223,825)**

The main risks arising from the Group's financial instruments are foreign currency, interest rate, credit and liquidity risks.

Foreign currency risk

Foreign currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed. The Group undertakes certain transactions denominated in foreign currencies.

The carrying amount of the Group's US Dollar denominated monetary assets and liabilities as at the reporting date are as follows:

	31 December 2014	31 December 2013
Assets		
Cash and cash equivalents	270,345	336,530
Investments and receivables carried at amortised cost	25,526	40,192
Total assets	**295,871**	**376,722**
Liabilities		
Borrowings	(1,649,939)	(1,946,802)
Finance lease	(13,254)	(16,421)
Trade payables	(74)	(53)
Total liabilities	**(1,663,267)**	**(1,963,276)**
Total net liability position	**(1,367,396)**	**(1,586,554)**

The table below details the sensitivity of the Group's financial instruments (excluding the cross-currency and interest rate swap disclosed in Note 24) to a 20% (2013: 20%) depreciation of the RUR against the US Dollar if all other variables are held constant. The analysis was applied to monetary items denominated in USD at the year end dates. 20% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. A 20% appreciation of the RUR against the US Dollar would have an equal opposite impact:

	31 December 2014	31 December 2014
Loss	(273,479)	(317,311)

The carrying amount of the Group's EURO denominated monetary assets and liabilities as at the reporting date are as follows:

	31 December 2014	31 December 2013
Assets		
Cash and cash equivalents	780	674
Investments and receivables carried at amortised cost	5	2
Total assets	**785**	**676**
Liabilities		
Finance lease	(5,992)	(13,548)
Trade payables	(2,101)	(747)
Total liabilities	**(8,093)**	**(14,295)**
Total net liability position	**(7,308)**	**(13,619)**

The table below details the Group's sensitivity to a 20% (2013: 20%) depreciation of the RUR against the EURO if all other variables are held constant. The analysis was applied to monetary items at the year end dates denominated in the EURO. A 20% appreciation of the RUR against the EURO would have an equal opposite impact:

	31 December 2014	31 December 2014
Loss	(1,462)	(2,723)

Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

The Group maintains only one loan subject to a variable interest rate. On 21 January 2011, NCSP received a loan in the amount of 1,950,000 from Sberbank pursuant to a contract dated 19 January 2011 relating to a new credit line to be used for the acquisition of PTP. Floating interest rate of LIBOR 3M + 4.85% per annum is applied during the first 3 years of the loan, floating interest rate of LIBOR 3M + 5% per annum is applied from 19 January 2014. The change in LIBOR rate by 1% would lead to an increase in interest expense by 16,500.

Credit risk

Credit risk is the risk that a customer may default or not meet its obligations to the Group on a timely basis, leading to financial losses for the Group.

The summary below shows revenue for 2014 and 2013 and outstanding balances as at 31 December 2014 and 2013 of the top five counterparties:

	Customer location	Revenue for 2014	31 December 2014
LINK OIL TRADING LTD	United States of America	91,225	–
ROSNEFT	Russia	71,580	359
TRANSNEFT-SERVICE	Russia	55,841	1,088
CHERNOMORSERVICE	Russia	49,542	13
MEDITERRANEAN SHIPPING COMPANY	Russia	38,460	2,485
Total		**306 648**	**3,945**

	Customer location	Revenue for 2013	31 December 2013
BIG PORT SERVICE DMCC	United Arab Emirates	131,722	4,666
ROSNEFT	Russia	78,971	2,227
TRANSNEFT-SERVICE	Russia	46,896	31
METALLOINVEST LOGISTICS	United Arab Emirates	33,788	858
LUKOIL	Russia	33,511	734
Total		**324,888**	**8,516**

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk as no collateral or other credit enhancements are held.

Liquidity risk

In order to manage and control the liquidity needs of the Group, management performs budgeting and forecasting of cash flows, which ensures the availability of the necessary funds for the discharging of payment obligations. Generally, net cash flows from operating activities provide an adequate amount of working capital for conducting the Group's underlying business activities. Negative working capital as of 31 December 2014 was caused by breach of covenants under Sberbank loan agreement but management considers the risk of early repayment claims from Sberbank as remote (Note 1).

For a maturity analysis of financial liabilities, see Notes 22 and 26.

34. EVENTS AFTER THE BALANCE SHEET DATE

A supplementary agreement changing the covenants was signed with Sberbank in 2015 (for details, see Note 1).

APPENDICES

NCSP GROUP ASSETS

Company	NCSP	NLE	NSRZ	IPP	NGT	NCSP Fleet	BSC	PTP	SFP
	Azov-Black Sea basin/Port of Novorossiysk						Baltic basin		
							Port of Baltiysk	Port of Primorsk	
% of Group cargo turnover in 2014	45.9%	2.9%	2.1%	4.2%	3.2%	-	0.7%	41.0%	-
% of Group revenue in 2014*	38.2%	9.1%	2.8%	4.3%	8.6%	16.9%	1.6%	15.4%	3.1%
Cargo	Crude oil, oil products, grain, ore products, chemical cargo, cement, coal, metals, containers	Forest products, containers, nonferrous metals	Metals	Oil products, other liquid cargo	Grain	Port fleet services	Containers	Crude oil, oil products	Port fleet services
Terminal area	95.6 ha	59.75 ha	30 ha	9.9 ha	7.049 ha	-	11.5 ha	54 ha	-
Harbor area	510,000 m²	153,000 m²	690,000 m²	-	-	-	25,000 m²	63,600 m²	-
No./length of berths	44 / 10 km	11 / 1.4 km	10 / 1.7 km	3 / 0.9 km	2 /0.4 km	-	2 / 0.5 km	10 / 2.8 km	-
Depth at berths	Up to 24.0 m	Up to 13.9 m	Up to 11.0 m	Up to 13.0 m	13.3 m	-	9.2 - 9.7 m	5.7 – 17.8 m	-
Max. ship deadweight	Tankers – 276,000 t; bulk carriers – 85,000 t	60,000 t	54,000 t	43,000 t	64,000 t	-	20,000 t	150,000 t	-
Area of outside storage	183,400 m²	369,800 m²	59,600 m²	-	-	-	74,000 m²	-	-
Area of sheltered storage	52,300 m²	14,500 m²	6,900 m²	Tank farm capacity – 138,000 m³	Grain storage capacity – 162,700 m³	-	500 m²	Tank farm capacity – 20,000 m³	-
Area of refrigerated warehouses	4,200 m²	5,100 m²	-	-	-	-	-	-	-
Area & capacity of container storage yards	4,100 TEU	11,200 TEU-	-	-	-	-	8,200 TEU	-	-
Length of rail lines for internal use	25,500 m	7,300 m	2,300 m	3,300 m	2,700 m	-	-	-	-
Capacity of railcar unloading fronts	649 railcars	225 railcars	64 railcars	4 receiving racks, total capacity 74 tank cars	182 railcars/ day	-	-	-	-
Equipment	8 mobile port cranes, 100-124 t	3 mobile port cranes, 103-104 t	4 mobile jib cranes, 36 t	Oil product tanks with capacity of:	2 vessel loading machines, capacity 800 t/h	22 tugboats, 208-5712 hp	3 mobile port cranes, 104 t	4 fuel oil tanks, capacity 5,000 m³ each	7 modern azimuth tugboats built in 2004-2011 (3500 – 5500 hp), Arc4/Arc5 ice-class for operating in ice up to 0.6 – 0.8 m thick
	8, 63-84 t	1 portal crane, 20 t	1 mobile jib crane, 25 t	18,000 m³ – 2		1 Mars fire boat	6 mobile gantry cranes, 42 t		
	1, 45 t	4 portal cranes, 12.5 t	2 mobile jib cranes, 14 t	12,000 m³ – 3	Grain silos with capacity of:	5 fuel vessels, capacity 250-3000 t	1 reach stacker, 45 t		
	1 portal crane, 100 t	2 portal cranes, 5-6 t	3 portal cranes, 40-50 t	10,000 m³ – 3	14,000 t – 3	1 water carrier	1 reach stacker, 42 t		
	7, 63 t	6 overhead cranes, 10 t	7 portal cranes, 20-32 t	5,000 m³ – 2	10,000 t – 7	13 auxiliary fleet vessels	1 reach stacker, 10 t		
	9, 40 t	6 RMG cranes, 41- 42 t	5 overhead cranes, 30-32 t	1,000 m³ – 1	1,000 t – 4		2 RMG cranes, 10 t		
	31, 10-16 t	10 reach stackers	1 gantry crane, 50 t	UAN tanks with capacity of:	250 t – 4		1 forklift, 28 t		
	Forklifts:	21 forklifts, 16 t	1 gantry crane, 32 t	15,000 m³ – 1			1 forklift, 5 t		
	6, 42 t	2 forklifts, 12 t	4 forklifts, 33-37 t	10,000 m³ – 1			3 forklifts, 3 t		
	26, 28-33 t	14 forklifts, 5-7 t	8 forklifts, 20-28 t				2 forklifts, 1.8 t		
	50, 10-20 t	36 forklifts, 1.5-4.5 t	8 forklifts, 7-16 t				1 forklift, 1.5 t		
	59, 3.5-5 t	1 bucket loader, 2.7 t	4 forklifts, 2-2.5 t				1 automatic loaders, 7 t		
	48, 1.5-2.5 t	1 stacker	1 front loader, 10 t				12 port tractors, incl. 10 with trailer + semitrailer systems		
	Bucket loader with capacity of:	2 roll trailers, 65 t	11 port tractors, 32 t				10 roll trailers, 50 t		
	4.5 m³ – 9	6 roll trailers, 65 t	33 roll trailers, 60-70 t				2 fuel trucks, 20 t		
	1.8 m³ – 12	18 port tractors with trailers, 20-24 t							
	0.8 m³ – 2								
	14 reach stackers								
	9 electric forklifts, 1.5-2.5 t								
	4 universal loaders (able to operate with clamshell, magnet, other grabbers)								
	4 caterpillar bucket loaders								
	55 port tractors, 32-36 t								
	38 roll trailers, 70-75 t								
	65 t – 48								
	30 t – 3								

* According to management reporting data.

NCSP GROUP CARGO TURNOVER IN 2014 ('000 TONNES)

	2014	2013	2012	Change 2014/2013	
				'000 t	%
Cargo turnover, total	**131,131.6**	**140,991.2**	**146,798.7**	**(9,859.6)**	**(7.0)%**
Liquid cargo, total	***101,498.8***	***116,768.3***	***125,430.9***	***(15,269.5)***	***(13.1)%***
Crude oil	72,780.0	91,735.9	110,829.7	(18,955.9)	(20.7)%
Crude oil, NCSP	30,426.1	37,214.4	42,584.8	(6,788.3)	(18.2)%
Crude oil, PTP	42,353.9	54,521.5	68,244.9	(12,167.6)	(22.3)%
Oil products	27,784.9	24,205.2	13,931.3	3,579.7	14.8%
Oil products, NCSP	16,406.7	14,772.3	9,109.1	1,634.4	11.1%
Oil products, PTP	11,378.2	9,432.9	4,822.2	1,945.3	20.6%
UAN	644.2	632.7	302.9	11.5	1.8%
Seed oils	289.7	194.5	367.0	95.2	48.9%
Bulk cargo, total	***12,331.3***	***8,818.9***	***9,381.3***	***3,512.4***	***39.8%***
Grain	7,434.8	4,065.6	6,401.8	3,369.2	82.9%
Chemical cargo	794.1	835.0	766.0	(40.9)	(4.9)%
Sugar	1,169.9	847.5	555.9	322.4	38.0%
Ore and iron ore concentrate	1,693.0	1,944.0	1,349.0	(251.0)	(12.9)%
Scrap metal	0.0	9.2	29.3	(9.2)	(100.0)%
Cement	38.6	214.8	216.3	(176.2)	(82.0)%
Coal	1,200.9	902.8	63.0	298.1	33.0%
General cargo, total	***11,846.8***	***10,581.1***	***8,171.2***	***1,265.7***	***12.0%***
Ferrous metals	9,546.6	8,554.3	6,543.7	992.3	11.6%
Timber	626.0	457.9	545.0	168.1	36.7%
Timber ('000 m^3)	1,138.1	832.1	987.4	306.0	36.8%
Nonferrous metals	1,027.7	1,042.1	830.4	(14.4)	(1.4)%
Perishable cargo	291.4	319.7	153.8	(28.3)	(8.9)%
Other	355.1	207.1	98.3	148.0	71.5%
Automobiles (units)	5,614.0	3,439.0	3,815.3	2,175.0	63.2%
Containers	***5,454.7***	***4,822.9***	***3,815.3***	***631.8***	***13.1%***
Containers, Novorossiysk	4,521.7	3,907.4	3,065.2	614.3	15.7%
Containers, BSC	933.0	915.5	750.1	17.5	1.9%
Containers, '000 TEU	***639.7***	***610.6***	***465.4***	***29.1***	***4.8%***
Containers, Novorossiysk, '000 TEU	460.4	443.9	326.9	16.5	3.7%
Containers, BSC, '000 TEU	179.3	166.7	138.5	12.6	7.6%

RESPONSIBILITY STATEMENT

We hereby confirm that to the best of our knowledge this Report includes a fair review of the development and performance of the business and the position of PJSC NCSP and the subsidiaries included in the consolidation taken as a whole (NCSP Group), together with a description of the principal risks and uncertainties that the NCSP Group faces.

The 2014 consolidated financial statements of PJSC NCSP prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and results of NCSP Group.

S.K. Batov
CEO of PJSC NCSP

G.I. Kachan
Chief Accountant of PJSC NCSP

FORWARD-LOOKING STATEMENTS

This annual financial report was written using the information available to NCSP Group (PJSC NCSP and its subsidiaries) (hereinafter also the "Group") at the time of its preparation. Some of the statements in this annual financial report regarding the Group's business activities, economic indicators, financial position, business and operating performance, plans, projects and expected results, as well as tariff trends, costs, anticipated expenses, development prospects, industry and market forecasts, individual projects and other factors are forward-looking statements, i.e. they are not established facts.

The forward-looking statements which the Group may make from time to time (but which are not included in this document) may also contain planned or expected data on revenue, profits (losses), dividends and other financial indicators and ratios. The words "intends ", "aims", "projects", "expects", "estimates", "plans", "believes ", "assumes", "may", "should", "will", "will continue" and similar expressions usually indicate forward-looking statements. However, this is not the only way to denote the forward-looking character of information.

Due to their specific nature, forward-looking statements are associated with inherent risk and uncertainty, both general and specific, and there is the danger that assumptions, forecasts and other forward-looking statements will not actually come to pass. In light of these risks, uncertainties and assumptions, the Group cautions that, owing to the influence of a wide range of material factors, actual results may differ from those indicated, directly or indirectly, in the forward-looking statements, which are only valid as at the time of preparation of this annual financial report NCSP Group neither affirms nor guarantees that the performance results set forth in the forward-looking statements will be achieved.

The Group accepts no liability for losses which may be incurred by individuals or legal entities who act on the basis of the forward-looking statements. In each particular case, the forward-looking statements represent only one of many possible development scenarios, and should not be seen as the most probable. Except in those cases directly stipulated by applicable legislation and the Listing Rules of the UK Listing Authority, the Group assumes no obligation to publish updates and amendments to the forward-looking statements to reflect new information or subsequent events.

SOURCE OF OPERATING DATA AND CERTAIN FINANCIAL INFORMATION

Operating data and certain financial information (e.g. cargo turnover analysis, storage volumes, capacities, EBITDA and number of personnel) used in this Annual financial report and are based on the Group management accounting data which is subject to the management judgment and presentation.

The financial information presented in a number of tables in this document has been rounded to the nearest whole number or the nearest decimal place. Therefore, the sum of the numbers in a column may not conform exactly to the total figure given for that column. In addition, certain percentages presented in the tables and charts in this document reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

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